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RESPECTING THE

CLAIMS

OF THE

RUSTCHUK AND VARNA RAILWAY COMPANY

UNDER ARTICLE X OF THE TREATY OF BERLIN.

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CONFIDENTIAL.

Correspondence respecting the Rustchuk and Varna Railway Company.

No. 1.

Mr. Blake to the Earl of Derby.—(Received March 16.)

Varna Railway Company's Offices, 7, Great Winchester Street Buildings, London, March 15, 1878.

My Lord,

I HAVE been requested by the Board of the Rustchuk and Varna Railway, which consists of the following gentlemen, viz., Lord Henry Lennox, the Honourable Robert Grosvenor, Mr. Ralph Earle, Mr. H. P. Sharpe, and myself, to forward to your Lordship a Memorandum in relation to the above-mentioned railway, which I have now the honour to inclose. Our object is to convey, in a concise form, the main facts connected with the formation of the Company, the construction of the line, the engagements of the Ottoman Government in relation to the guarantees which have been given for the interest payable upon its capital, and the position in which the Company finds itself placed at the present moment. The Board and shareholders of this Company represent an interest for money advanced and expended on the line amounting to 2,000,000*l.*

The liabilities of the Turkish Government on account of accrued guaranteed interest exceed 500,000*l.*, the Porte having interrupted its regular payments since the commencement of the Eastern troubles.

A grave question now arises as to the position which will be assumed when the Government of Bulgaria takes a definite form.

Looking at the great interests involved, the Directors would venture, on behalf of the numerous British subjects who hold these securities, respectfully to request that your Lordship would have the kindness to cause the inclosed statement to be communicated to the Representative of Her Majesty's Government at the approaching Congress, n order that, in the negotiations which are about to take place, he may be acquainted with the circumstances of this case. Much anxiety exists in the minds of the proprietors in regard to the settlement of the arrears, and as to the position this undertaking, which has already greatly suffered, will hereafter occupy under the Government of the new Bulgarian State.

I have, &c.
(Signed) H. WOLLASTON BLAKE, *Chairman.*

Inclosure in No. 1.

Memorandum from the Chairman and Directors of the Varna Railway Company.

1. A FIRMAN was granted by His Imperial Majesty the Sultan in September 1861, granting a concession for the construction of a railway from Rustchuk to Varna, and in October 1863 the Sublime Porte, through their Ambassador, Musurus Pasha, in London, approved the financial plan and statutes as submitted to it. These documents provided that the period of concession should be for ninety-nine years, and that for the first thirty-three years the Imperial Government guaranteed an annual interest of 140,000*l.*, and for the second period of thirty-three years 120,000*l.*, and for the third

period of thirty-three years 100,000*l.*, for the expenses that were necessary in the construction of the conceded line and its dependencies, provided the expenses should not exceed 2,000,000*l.* Upon the faith of these documents and this guarantee the Directors for the time being obtained from the public the necessary funds for the construction and equipment of the line.

2. The line was completed and opened in 1867, and the amount upon which the guaranteed interest was payable was finally fixed and agreed with the Government of Turkey in November 1869 at the sum of 2,000,000*l.*

3. This annual guarantee of 140,000*l.* has been paid by the Imperial Ottoman Government for the years 1868, 1869, 1870, 1871, and 1872.

4. In the year 1873, with the consent and at the instance of the Ottoman Government, in order to facilitate an arrangement between the Porte and the Roumelian Railway Company, which promised great advantages to the Varna line, the Directors consented to lease the working of the railway to the General Company for working railways in Turkey in Europe.

Under this agreement the stipulated annual guarantee became payable within two months of the receipt of a certificate from the Working Company of the actual gross receipts upon the line to the 30th June in each year, without any further examination of the accounts, and under this agreement the interest for the years 1873 and 1874, amounting to 140,000*l.* in each year, was paid by the Ottoman Government.

5. Since that period the Government, whilst acknowledging their liability to the Railway Company, and making frequent promises of payments, have been unable, owing to pressure upon their finances, to make any further payments to the Varna Railway Company.

6. There is at present due and unpaid from the Government to the Company the guaranteed interest for three years, amounting to 420,000*l.*, which sum was due on the 30th June, 1877, since which time the guarantee on three-quarters of a year has accrued.

7. The Varna Railway being an undertaking carried out by foreign capital, and one which, by opening up the interior communications, has tended to the development of the country, has a special claim for the payment of the guaranteed interest, the capital having been beneficially invested in the soil of the country.

8. The Chairman and Directors of the Company urge, therefore, that, in any settlement of the Turkish finances at the conclusion of peace, the claims of the Varna Railway deserve special recognition, and as Bulgaria, under whatever rule it may be placed, will enjoy the advantages of this railway, that, in any rearrangement of the liabilities on this portion of the Empire, due regard should be paid to the claims of the bond and share holders of the Varna Company for the future.

(Signed) H. WOLLASTON BLAKE, *Chairman.*

Varna Railway Offices, 7, Great Winchester Street Buildings, London, E.C., March 15, 1878.

No. 2.

Lord Tenterden to Mr. Blake.

Foreign Office, March 21, 1878.

Sir,

I AM directed by the Earl of Derby to acknowledge the receipt of your letter of the 15th instant, forwarding, on behalf of the Board of Directors of the Rustchuk and Varna Railway Company, a Memorandum calling attention to the financial position of the Company, and expressing a hope that, in view of the proposed new territorial arrangements, due regard will be paid to the interests of the bond and share holders of the Company; and, in reply, I am desired to inform you that your representations will be borne in mind.

I am, &c.

(Signed) TENTERDEN.

No. 3.

Sir H. Layard to the Marquis of Salisbury.—(*Received July* 22.)

(No. 48. Commercial.)

My Lord, *Therapia, July* 9, 1879.

MR. TIMONI, the agent at Constantinople of the Rustchuk-Varna Railway Company, addressed a letter to Mr. Malet in the month of February last in regard to a large sum alleged to be due to the Company by the Turkish Government; and Mr. Malet represented the matter to the Porte, with the view of obtaining a settlement of the claim. I have now received a note from Carathéodory Pasha in reply, in which his Excellency states that, in view of the stipulations contained in Article X of the Treaty of Berlin, it is impossible for the Turkish Government to satisfy this claim until an understanding is arrived at between the Sublime Porte, the Government of the Principality of Bulgaria, and the Administration of the Company.

I have the honour to inclose copies of his Excellency's note, and of Mr. Timoni's letter to Mr. Malet, and venture to request your Lordship's instructions in regard to this claim.

I have, &c.

(Signed) A. H. LAYARD.

Inclosure 1 in No. 3.

Carathéodory Pasha to Sir H. Layard.

Sublime Porte, Ministère des Affaires Etrangères, le 7 Juillet, 1879.

M. l'Ambassadeur,

J'AI reçu la note qui Mr. Malet a bien voulu m'adresser le 3 Avril, relativement à la réclamation de la Compagnie du Chemin de Fer de Varna à Roustchouk, qui demande le paiement des arriérés de quatre années qui lui seraient dûs par le Gouvernement Impérial en raison de la garantie stipulée dans l'Acte de Concession.

Votre Excellence sait qu'aux termes de l'Article X du Traité de Berlin, le réglement des comptes antérieurs à la date de la ratification du dit Traité est réservée à une entente entre la Sublime Porte, le Gouvernement de la Principauté de Bulgarie, et l'Administration de la Compagnie. En conséquence, le Gouvernement Impérial est dans l'impossibilité de faire droit à la réclamation de la Compagnie tant que l'entente prescrite par le Traité ne sera pas intervenue.

Veuillez, &c.

(Signé) A. C. CARATHÉODORY.

Inclosure 2 in No. 3.

Mr. Timoni to Mr. Malet.

Varna Railway Company, Constantinople, February 27, 1879.

Sir,

I BEG to inform your Excellency that the Varna Railway Company have to receive from the Ottoman Government four whole years' guarantee, in the very large sum of 560,000*l.*, amount overdue since July last year.

Several applications have been made by me, both verbally and in writing, to the various Grand Viziers and Ministers of Finance. They have always been promising to pay some money on account of their debt, which promise was never carried out. The Board of Directors in London have applied officially to Sir H. Layard, and I did the same. I am aware that Sir A. Sandison had spoken to the Grand Vizier and Ministers of Finance, but unfortunately without obtaining the desired effect.

For the yearly guarantee of 140,000*l.*, due from the 1st July, 1874, to the 30th June, 1875, said payment was ordered by an Imperial Iradé, but no money could be obtained, owing to disturbances then rising in different provinces. On my applying to the Grand Vizier, our above-alluded claim was referred before the Grand Council of Ministers in April 1876, the debt of 140,000*l.* was acknowledged, and said Council decided that the Minister of Finance should pay in my hands, as local agent of the

period of thirty-three years 100,000*l.*, for the expenses that were necessary in the construction of the conceded line and its dependencies, provided the expenses should not exceed 2,000,000*l.* Upon the faith of these documents and this guarantee the Directors for the time being obtained from the public the necessary funds for the construction and equipment of the line.

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(Signed) H. WOLLASTON BLAKE, *Chairman.*

Varna Railway Offices, 7, Great Winchester Street Buildings,
London, E.C., March 15, 1878.

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(Signed) A. H. LAYARD.

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Sublime Porte, Ministère des Affaires Etrangères, le 7 Juillet, 1879.

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Veuillez, &c.
(Signé) A. C. CARATHÉODORY.

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Several applications have been made by me, both verbally and in writing, to the various Grand Viziers and Ministers of Finance. They have always been promising to pay some money on account of their debt, which promise was never carried out. The Board of Directors in London have applied officially to Sir H. Layard, and I did the same. I am aware that Sir A. Sandison had spoken to the Grand Vizier and Ministers of Finance, but unfortunately without obtaining the desired effect.

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Varna Railway Company, a monthly instalment of 12,100*l.*, said payment to begin from the 28th May, 1876, which acknowledgment I hold.

I beg to crave your Excellency's support in favour of our most lawful claim, as at the end of next month the Board of Directors will hold their half-yearly general meeting of shareholders in London. It would certainly be highly gratifying for them to announce to their shareholders that, through your Excellency's influence, the Ottoman Government have at last paid some money to the Varna Railway Company.

I have, &c.
(Signed) MICHEL TIMONI,
Agent for the Varna Railway Company.

No. 4.

Memorandum by the Lord Chancellor as to Claim of the Rustchuk-Varna Railway against the Porte.

THIS claim is governed by the Xth Article of the Berlin Treaty, which is specially directed to the Rustchuk-Varna Railway, and differs materially from the LIst Article.

2. With regard to the future, the Xth Article provides that Bulgaria takes the place of the Imperial Ottoman Government in its undertakings and obligations towards the Rustchuk-Varna Railway Company, dating from the exchange of the ratifications of the Treaty. The present claim does not arise under this clause, and it is therefore unnecessary to consider whether this clause would substitute, from the date of the Treaty, Bulgaria for the Porte, whether the Railway Company assented or not. In practice it probably would have the effect of substituting Bulgaria, on the principle that the sovereignty of the "solum" on which the railway was constructed was thenceforward to belong to Bulgaria, and all rights and obligations connected with immovable property would follow.

3. But it is the second part of the paragraph which is material to the present claim. It provides that the settlement of previous accounts is reserved for an understanding between the Porte, the Bulgarian Government, and the Railway. I understand this to mean that if the Porte, the Bulgarian Government, and the Railway, all three, agree that the claims of the Railway Company before the Treaty shall be adjusted on some principle different from the strict principle which ought to be applied to them, they shall be so adjusted; but if no agreement is come to, the strict principle of adjustment will continue. The Porte was the debtor of the Company before the Treaty, and continues that debtor unless the three parties concerned agree that the debt shall be undertaken in whole or in part by some one else.

4. It does not, therefore, appear to me to be any answer for the Porte to say that it will not entertain the claims of the Company because no agreement has been come to between the parties mentioned in the Treaty. That would be tantamount to saying that the claims might never be entertained at all, because the Porte, being one of the three parties concerned, might refuse to enter into any agreement such as is contemplated by the Treaty. If the Porte desires to get rid of any part of its liability for antecedent claims of the Company, it must put itself in motion, and bring about an agreement between the three parties for a substitution of liability. If the Porte does not do this, it will, in my opinion, continue liable.

(Signed) CAIRNS.

August 5, 1879.

No. 5.

The Marquis of Salisbury to Sir H. Layard.

(No. 44. Commercial.)

Sir, *Foreign Office, August* 18, 1879.

HER Majesty's Government have had under their consideration your Excellency's despatch No. 48, Commercial, of the 10th ultimo, relative to the claim of the Rustchuk and Varna Railway Company against the Porte.

I have to observe, in reply, that this claim is governed by the Xth Article of the Treaty of Berlin. That Article provides that Bulgaria shall, from the exchange of the

No. 5A.

Mr. Palgrave to the Marquis of Salisbury.—(*Received August* 26.)

My Lord, *Sophia, August* 11, 1879.

I HAVE the honour to report that Mr. J. T. Barkly, appointed as Commissioner by the Board of Directors of the Varna-Rustchuk Railway Company, to represent the Company's interests in Bulgaria and Turkey, in connection with Article X of the Treaty of Berlin, arrived here about a week since, and was by me presented in due form to the Minister for Foreign Affairs, the President of the Ministerial Council, and His Highness the Prince. To all these Mr. Barkly, assisted by myself, gave the requisite explanations, and received courteous and favourable answers.

But a Ministerial Council, held shortly after to consider this very matter, decided that no further steps should be taken till the Bulgarian Government, through the means of its Agent, who has not, however, yet been appointed, at Constantinople, should have obtained possession of the original contract papers between the Ottoman Government, to which the Bulgarian has been substituted in regard of the obligations in question by the Treaty of Berlin, and the Varna Railway Company.

This resolution having been communicated to Mr. Barkly and myself, was by both of us strongly combated, as inopportune for many reasons, and involving useless and damaging delay.

After some discussion I obtained of the Minister of Foreign Affairs the assurance that the Bulgarian Government would accept, as sufficient basis for examination and action, authenticated French translations of the original documents in the possession of the Board in England. This point being determined Mr. Barkly wrote, at my suggestion, a letter addressed to the Bulgarian Minister, informing him that the said authenticated translations would, as soon as prepared, be forwarded through Her Majesty's Foreign Office to the British Agent here resident, to be by him placed in the hands of Mr. Barkly himself for further use. This letter I inclosed in a short covering despatch of my own, explanatory of the urgency and seriousness of the claim, and addressed it to the Minister for Foreign Affairs.

By these steps the affair is now, I trust, placed on a good footing, and will make quick way; though a definite solution can only be attained, according to the Constitution, after submitting it to the National Assembly, the opening of which is fixed for the 15th (27th) October next.

I have, &c.
(Signed) W. GIFFORD PALGRAVE.

No. 5B.

The Marquis of Salisbury to Mr. Palgrave.

Sir, *Foreign Office, November* 10, 1879.

WITH reference to your despatch of the 11th August last I transmit to you herewith a letter from the Varna Railway Company, together with certified copies of the various documents named therein, and of which a list is also inclosed in copy.

This despatch, and the papers in question, will be handed to you by Mr. J. T. Barkly. You will observe that Mr. G. A. Buckley has been appointed by the Council of Administration of the Varna Railway Company to be the Assistant Commissioner for the Company under Article X of the Treaty of Berlin, and I have to instruct you to deliver these authenticated documents officially to the Bulgarian Government, in accordance with the understanding arrived at and reported in your above-named despatch.

I am, &c.
(Signed) SALISBURY.

No. 5.c.

Mr. Ashburnham to the Marquis of Salisbury.—(*Received December 9.*)

Sophia, November 25, 1879.

My Lord,

IN obedience to the instructions contained in your Lordship's despatch to Mr. Palgrave of the 10th instant, I have transmitted to the Bulgarian Minister for Foreign Affairs the legalized copies of the documents showing the rights and position of the Varna Railway Company, which, as reported by Mr. Palgrave, his Excellency had promised to accept as a basis for examination and action in the matter.

I have, &c.

(Signed) J. ASHBURNHAM.

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ratifications of the Treaty, in future arrangements with regard to its undertakings and obligations, take the place of the Ottoman Government towards the Company. But the present claim is governed not by this stipulation, but by the provision which follows that the settlement of previous accounts is reserved for an understanding between the Porte, the Bulgarian Government, and the Railway.

Her Majesty's Government understand this provision to mean that if the Porte, the Bulgarian Government, and the Railway, all three, agree that the claims of the Railway Company before the Treaty shall be adjusted on some principle different from the strict principle which ought to be applied to them, they shall be so adjusted; but if no agreement is come to, the strict principle of adjustment will continue. The Porte was the debtor of the Company before the Treaty, and continues the debtor unless the three parties concerned agree that the debt shall be undertaken in whole or in part by some one else.

It does not, therefore, appear to Her Majesty's Government to be any answer for the Porte to say that it will not entertain the claims of the Company because no agreement has been come to between the parties mentioned in the Treaty. That would be tantamount to saying that the claims might never be entertained at all; because the Porte, being one of the parties concerned, might refuse to enter into any agreement such as is contemplated by the Treaty. If the Porte desires to get rid of any part of its liability for antecedent claims of the Company, it must put itself in motion, and bring about an agreement between the parties for a substitution of liability. If the Porte does not do this, it will, in the opinion of Her Majesty's Government, continue liable.

I have to request that your Excellency will answer the note of Carathéodory Pasha of the 7th ultimo in this sense; and that you will urge that steps shall be taken to bring about an early settlement.

I am, &c.

(Signed) SALISBURY.

No. 6.

Mr. Ashburnham to the Marquis of Salisbury.—(*Received January 5, 1880.*)

(No. 233.)

Sophia, December 22, 1879.

My Lord,

AS I had the honour to inform your Lordship in my despatch No. 225 of the 25th November, I duly transmitted to the Bulgarian Minister for Foreign Affairs the documents relating to the claims of the Varna Railway inclosed in your Lordship's despatch No. 145 of the 18th ultimo.

Owing to the Ministerial crisis, I was unable at the moment to take any further steps in the matter till the 17th instant, when I presented Mr. Barkley, the Company's representative here, to M. Natchovitz. His Excellency said that he would study the documents, and that he hoped to be able to come to some decision before the meeting of the Chambers, which should be afterwards submitted to their approval.

Mr. Barkley was summoned two days after to Rustchuk, and before leaving he addressed a note to M. Natchovitz recapitulating the conversation which had taken place in my presence, and asking to be informed whether he had done so correctly.

I transmitted this letter to M. Natchovitz, and on the 20th instant his Excellency addressed me a note in reply, copy of which I have the honour to inclose.

In acknowledging its receipt, I pointed out to M. Natchovitz that the question pending between the Bulgarian Government and the Company was not one of technical details, to be decided by engineers, but one of the responsibilities and liabilities of Bulgaria under the Treaty of Berlin.

I have, &c.

(Signed) J. ASHBURNHAM.

Inclosure in No. 6.

M. Natchovitz to Mr. Ashburnham.

Sophia, le 20 Décembre, 1879.

M. le Gérant,

EN réponse à votre note en date du 18 Décembre, année courante, j'ai l'honneur de vous prier d'informer Mr. Barkley que le Ministère a donné les documents qu'il a reçus

sur le Chemin de Fer Varna-Roustchouk à ses ingénieurs spécialistes pour qu'ils les étudient et fassent leur rapport à la section des Travaux Publics. Je pense qu'avant de présenter cette question à la Chambre il serait nécessaire, après que le Ministère sera au clair sur la question, d'informer Mr. Barkley de l'opinion que le Gouvernement s'en serait faite.

Veuillez, &c.
(Signé) NATCHOVITZ.

No. 7.

Messrs. Norton, Rose, Norton, and Brewer to the Marquis of Salisbury.—(Received February 11.)

24, *Coleman Street, February* 9, 1880.

My Lord,

WE are instructed by our clients, the Board of the Varna Railway Company, to write to your Lordship.

As your Lordship is aware, the Varna Railway Company, mentioned in the XIth Article of the Berlin Treaty, entered into an agreement in 1872 with a French Company named "La Compagnie Générale pour l'Exploitation des Chemins de Fer de la Turquie d'Europe," of which Baron M. de Hirsch is the principal Director, for a lease of the working of the line.

Legal questions of considerable importance have arisen between the Varna Company and the Working Company, and considerable claims will have shortly to be made, both on behalf of the bondholders of the Varna Company and also on behalf of that Company itself, on the Working Company.

Meanwhile, the promoters of the Working Company have reconstituted the same as a Société Anonyme under Austrian law. The Varna Company are advised that this step may be very prejudicial to their rights and remedies against the Working Company, and that they should lodge formal protests. We have instructed our correspondents, both in Paris and Vienna, to serve the protests upon the Working Company and the reconstituted Company respectively in those capitals.

We are instructed by our clients, the Varna Company, to send to Her Majesty's Government the two copies of the protests herewith, sealed by the Company in the presence of a notary, and with that notary's signature duly attested under the seal of the Corporation of London and by the Consul of Turkey respectively, with the request that Her Majesty's Government will forward them to the Governments respectively of Turkey and Bulgaria, begging them to take due notice thereof, and to give such effect to the same by having them entered or registered upon any books, documents, registers, &c., as may be necessary to give full effect to the said protests, and to protect the interests and rights of the Varna Railway Company.

Your Lordship will notice that the protest is not in any way directed against the acts of either of those Governments, but is merely against the acts of the Société Anonyme, and the Working Company.

The board are advised that, having regard to the state of the law and conditions of legal process in Turkey and Bulgaria, it is advisable and greatly to the interests of the bondholders that the protests should be forwarded through Her Majesty's Government to the Governments of those countries respectively, and not merely served through an ordinary notary.

For purposes of protection in the French and Bulgarian Courts it would be a convenience that some official documents should be remitted to the Company giving evidence that the protest has been duly received and noted by the proper authorities, and on the proper books, the expense of which the Varna Company would of course be prepared to pay. If, however, it is inconvenient for Her Majesty's Government to make any such request, we propose (as the best alternative course, if Her Majesty's Government consent to forward the protests at all, and upon receipt from them of information that they have been so sent, but that the official documents in question cannot be provided) to have supplementary documents served by the ordinary notary if such or a similar official can be found in Bulgaria.

The inclosures herewith are:—Copy protest under hand of notary with signature certified under City seal; ditto certified by Turkish Consul, and two plain copies of same for service or reference.

We beg, &c.
(Signed) NORTON, ROSE, NORTON, AND BREWER.

No. 8.

Mr. Barkley to the Marquis of Salisbury.—(Received February 14.)

Varna Railway Company, Offices, 56, New Broad Street, London, February 13, 1880.

My Lord,

AS the representative of the Varna Railway Company under Article X of the Treaty of Berlin, I have the honour, on behalf of that Company, to ask your Lordship's renewed assistance in procuring that the conditions of the Treaty in question be observed by the Bulgarian Government.

In August last, through the intervention of Her Britannic Majesty's Diplomatic Agent at Sophia, I obtained from the then Ministers of Bulgaria an assurance that, so soon as the necessary documents were in their possession officially, no time should be lost in taking steps to give effect to the State's obligation to the Varna Company.

It was moreover agreed that the documents in question should be transmitted through Her Britannic Majesty's Foreign Office, thus superseding the original pretension of the Bulgarian Government that the consideration of the Varna Company's rights should be deferred until the documents required by the Bulgarian Government for its information should be obtained from the Porte.

A further request—that pending the delivery of the certified documents through Her Britannic Majesty's Foreign Office, the Ministers should examine, with or without my assistance, copies of those documents of which I was possessed, and thus make themselves acquainted with the subject in all its details without unnecessary delay—was rejected on the ground that nothing could be done to give effect to the result of any examination before the meeting of the Chamber.

In pursuance of the foregoing arrangement, the documents referred to were, through your Lordship's kind intervention, handed to the Bulgarian Government in November last by Her Britannic Majesty's Representative at Sophia. And again, the Varna Company, through Mr. C. A. Barkley, its Assistant Commissioner, urged upon the Bulgarian Ministers the extreme desirability of seriously entering upon the subject, and giving satisfaction to the Company.

Unfortunately, these representations proved in a great measure ineffectual. Advantage was taken by the Ministers of the dissolution of the Chamber to again decline to come to any decision before the new Parliament should have met. Meanwhile, the papers have been referred by the Government to "ingénieurs spécialistes," though what connection their special qualifications have with a financial question does not clearly appear.

It is now stated that the Chamber will not meet until some time in April next, nor would it appear that any reasonable assurance exists that when the Chamber then meets its existence will be prolonged beyond that of the preceding one.

The Varna Directors are unwilling to do anything which may be characterized as displaying a want of patience in dealing with a Government which is necessarily unversed in questions of this nature. They have consequently hitherto refrained from protesting formally against the delays which have taken place.

Nevertheless, the Directors cannot disguise from themselves that the language and conduct of the Bulgarian Ministers has evidenced from the first a disinclination to discuss or examine into the position of the Company's rights, which is unsatisfactory, and betokens an unwillingness or inability to recognize the very grave and important nature of the Company's claims, and their bearing upon the permanent interests of the new State.

Already, on the 1st July last, the debt, speaking in round figures, due directly by the Bulgarian Government to the Company was 130,000*l.*, an amount which will be increased to 270,000*l.* by the same date in the current year.

The mere statement of these facts will enable your Lordship to comprehend how desirable it is from every point of view that the debt be dealt with before it grows to an unmanageable amount.

The engagement to satisfy this debt was taken by Bulgaria under the Treaty which created that State, and is not, I would venture to submit, one which the Executive of the new State can justly postpone indefinitely by subjecting its fulfilment to the decision of the present or any future Parliament. It is a debt accrued due, and the engagement of Bulgaria under the Treaty is to pay it.

Under these circumstances, and bearing in mind your Lordship's kind assurances on this subject, I venture to ask your Lordship to call the serious attention of the Bulgarian Government to the necessity of satisfying without further delay the rights of

the Varna Company under Article X of the Berlin Treaty. Should your Lordship accede to this request, either Mr. G. A. Barkley or myself will immediately return to Sophia to represent the Company.

I would also desire to suggest to your Lordship whether advantage could not be taken of the Prince of Bulgaria being at St. Petersburgh to bring, through Her Britannic Majesty's Ambassador, Lord Dufferin, the importance and gravity of this question more forcibly to his notice than is probably possible at Sophia, where he is surrounded by Ministers whose financial inexperience renders them ill fitted to attach due weight to a question which virtually involves the national credit. It would also appear of importance that, in calling attention to the engagements imposed by Article X of the Treaty, the Bulgarian Ministers were at the same time reminded that, as regards the amount, about 570,000*l.*, due to the Company by Turkey at the date of the Treaty, it is also incumbent on them to come to an understanding with the Porte and the Company with a view to its settlement.

I have, &c.
(Signed) J. TREVOR BARKLEY.

No. 9.

The Marquis of Salisbury to Mr. Ashburnham.

(No. 20.)
Sir, *Foreign Office, February* 16, 1880.

I TRANSMIT to you herewith copy of a letter which has been received from the Varna Railway Company, calling attention to the protracted delay which is taking place in the recognition of the claims of the Company by the Bulgarian Government.*

I request that you will press this matter upon the attention of the Ministers. It will have a very unfortunate effect upon the credit of the new Principality, and greatly deter any influx of capital, if a question which is the subject of special mention in the Treaty of Berlin is unnecessarily or wilfully delayed to the detriment of foreign shareholders.

I am, &c.
(Signed) SALISBURY.

No. 10.

Sir J. Pauncefote to Messrs. Norton, Rose, Norton, and Brewer.

Gentlemen, *Foreign Office, February* 17, 1880.

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 9th instant, forwarding protests made by the Varna Railway Company and the boudholders of that Company against the reconstitution of the French Company which undertook the working of the line as a Société Anonyme under Austrian law. You request that the certified copies of these protests may be forwarded by Her Majesty's Government to the Governments of Turkey and Bulgaria respectively, in order that the proper steps may be taken to give them full effect, and to protect the interests and rights of the protesting parties.

I am, in reply, to state that, in Lord Salisbury's opinion, Her Majesty's Government could not, without creating an inconvenient precedent, undertake the transmission and presentation of these protests, which relate to a private claim between the two Companies concerned. His Lordship will, however, be happy to instruct Her Majesty's Representatives at Constantinople and Sophia to afford to the agents who may be employed for the purpose all proper facilities in lodging the protests in the right quarter.

The certified copies are returned herewith.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

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* No. 8.

No. 11.

Sir J. Pauncefote to Mr. Barkley.

Sir, *Foreign Office, February* 17, 1880.

I AM directed by the Marquis of Salisbury to acknowledge the receipt of your letter of the 13th instant relative to the continued delay in the recognition of the claims of the Varna Railway Company by the Government of Bulgaria.

I am, in reply, to state that a copy of your letter will be forwarded to Her Majesty's Acting Agent and Consul-General at Sophia, and that he will be instructed to press the matter upon the attention of the Bulgarian Ministry.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 12.

Mr. Ashburnham to the Marquis of Salisbury.—(Received March 29.)

(No. 43.)
My Lord, *Sophia, March* 14, 1880.

I HAVE the honour to acknowledge the receipt of your Lordship's despatch No. 20 of the 16th ultimo, inclosing copy of a letter from Mr. Barkley on the subject of the delay which has taken place in the recognition by the Bulgarian Government of the claims of the Varna Railway, and instructing me to press this matter upon the attention of the Bulgarian Ministers.

I have spoken very seriously to M. Natchovitz in the sense of your Lordship's above-mentioned despatch, and of Mr. Barkley's letter, but his Excellency, while regretting the delay which has occurred, and expressing the firm intention of his Government to fulfil the stipulations of the Treaty of Berlin with regard to the Company, declared that he was quite unable to come to any decision without the Chamber.

As the National Assembly will meet in about a fortnight, and it is quite useless to hope that the present Ministry, in the absence of the Prince, and knowing that their tenure of office is almost expired, would come to any decision on such an important matter, I have not thought it necessary to make any written communication to M. Natchovitz on this subject.

I have, &c.
(Signed) J. ASHBURNHAM.

No. 13.

Mr. Ashburnham to the Marquis of Salisbury.—(Received April 5.)

(No. 48.)
My Lord, *Sophia, March* 23, 1880.

MR. GEORGE BARKLEY, the representative of the Varna-Rustchuk Railway Company, arrived here at the end of last week, and after some conversation asked me whether I would forward the protest, copy of which was inclosed in your Lordship's despatch No. 19, to the Minister of the Interior, which I had informed him I believed to be the proper course to take.

As your Lordship's instructions on this point in the above-mentioned despatch were clear, I informed him that I was unable to comply with his request, but agreed to address a note to M. Natchovitz, copy of which I have the honour to inclose, in order that he might have some answer to telegraph to London; but I must confess that I think he has but little chance of obtaining anything more substantial than promises in the present state of the Bulgarian Exchequer.

I have, &c.
(Signed) J. ASHBURNHAM.

Inclosure in No. 13.

Mr. Ashburnham to M. Natchovitz.

M. le Ministre, *Sophia, le* 22 *Mars*, 1880.

D'ACCORD avec les instructions que j'ai reçues du Marquis de Salisbury, j'ai l'honneur d'appeler de nouveau l'attention de votre Excellence, sur le payement de la garantie du Chemin de Fer de Roustchouk-Varna, garantie qui, à partir de la signature du Traité de Berlin, incombe à la Principauté de Bulgarie.

Votre Excellence se rappelera que le 24 Novembre j'ai eu l'honneur de lui transmettre, conformément aux instructions de mon Gouvernement, les copies légalisées des documents définissant les droits de la Compagnie vis-à-vis du Gouvernement de la Turquie et de la Bulgarie.

Votre Excellence, dans sa note du 2 Décembre, m'a promis que la question serait prise en considération par le Gouvernement de Son Altesse; jusqu'à aujourd'hui, cependant, aucune décision n'a été prise à ce sujet, et je suis chargé de représenter à votre Excellence, à la veille de la réunion de l'Assemblée, la haute importance de cette question pour la Bulgarie, tant pour son propre crédit que pour la facilité de ses rapports avec les capitalistes étrangers, de ne plus permettre qu'une question spécialement mentionnée dans le Traité de Berlin soit dorénavant exposée à des retards qui n'ont pas leur raison d'être, et qui nuisent aux intérêts des détenteurs étrangers.

La somme due par la Bulgarie à la Compagnie, qui, le 1er Juillet dernier, était de 130,000*l.*, aura atteint cette année-ci, à la même date, le chiffre de 270,000*l.*, sans parler encore de l'intérêt qui sera réclamé, comme me l'a dit Mr. Barkley, représentant de la dite Compagnie.

En vue de la gravité de ces circonstances, il est de mon devoir de prier votre Excellence de faire tout son possible pour hâter l'acquittement d'une dette, qui fait partie des obligations du Traité de Berlin pour la Bulgarie, et qui par conséquent ne peut être assujettie à la décision de l'Assemblée Nationale.

Je serai bien reconnaissant à votre Excellence de vouloir bien m'honorer d'une réponse pour que je puisse la communiquer à Mr. Barkley.

Agréez, &c.
(Signé) J. ASHBURNHAM.

No. 14.

Mr. Ashburnham to the Marquis of Salisbury.—(Received April 12.)

(No. 50.)
My Lord, *Sophia, March* 31, 1880.

I HAVE the honour to transmit herewith copy of the reply which I have received to my note of the 22nd instant, on the subject of the liabilities of the Bulgarian Government to the Varna-Rustchuk Railway Company.

Mr. George Barkley having already left for Constantinople, I have not been able to communicate to him the reply of the Bulgarian Government, but it is exactly the same as what M. Natchovitz told him on his arrival.

I have, &c.
(Signed) J. ASHBURNHAM.

Inclosure in No. 14.

M. Natchovitz to Mr. Ashburnham.

M. le Gérant, *Sophia, le* $\frac{18}{30}$ *Mars*, 1880.

J'AI l'honneur d'accuser réception de la lettre en date du $\frac{10}{22}$ Mars courant, que vous avez bien voulu m'adresser, et concernant le payement par la Bulgarie des intérêts à la Compagnie du Chemin de Fer Roustchouk-Varna.

Je suis persuadé, M. le Gérant, que vous-même, vous reconnaissez l'importance capitale de ce sujet. Cette importance oblige le Gouvernement de Son Altesse de ne prendre aucune décision à ce sujet avant que l'état financier de la Principauté fut réglé par l'Assemblée Nationale, qui se réunira dans quelques jours, et qui s'occupera indubitablement aussi de la question du Chemin de Fer Roustchouk-Varna.

Veuillez, &c.
(Signé) NATCHOVITZ.

No. 15.

Sir J. Pauncefote to Mr. Barkley.

Sir, *Foreign Office, April* 13, 1880.

WITH reference to your letter of the 13th February last, I am directed by the Marquis of Salisbury to transmit to you a copy of the representation which has been received by Her Majesty's Acting Agent and Consul-General at Sophia, in reply to the note which he had addressed to the Bulgarian Government on the subject of the claims of the Varna Railway Company.*

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 16.

Sir H. Layard to the Marquis of Salisbury.—(Received April 23.)

(No. 44. Commercial.)
My Lord, *Constantinople, April* 13, 1880.

WITH reference to your Lordship's despatch No. 44, Commercial, of the 18th August last, I have the honour to transmit herewith to your Lordship a copy of a *note verbale* which I have this day addressed to the Sublime Porte on the subject of the Varna and Rustchuk Railway.

In view of the note of the Sublime Porte of the 7th July last, a copy of which was sent to your Lordship in my despatch No. 48, Commercial, of the 9th July last, I have requested the Sublime Porte to appoint, with as little delay as possible, a Commission, as provided for in Article X of the Treaty of Berlin, to settle the question.

I have, &c.
(Signed) A. H. LAYARD.

Inclosure in No. 16.

Note Verbale.

Constantinople, le 13 *Avril*, 1880.

L'AMBASSADEUR de Sa Majesté Britannique a l'honneur d'appeler de nouveau l'attention de la Sublime Porte sur la réclamation de la Compagnie Anglaise du Chemin de Fer de Varna à Roustchouk.

En réponse à une communication antérieure de l'Ambassade de Sa Majesté sur cette question, la Sublime Porte a fait savoir à cette Ambassade, par sa note en date du 7 Juillet dernier, qu'aux termes de l'Article X du Traité de Berlin, le réglement de cette affaire était réservé à une entente entre la Sublime Porte, le Gouvernement de la Principauté de Bulgarie, et l'Administration de la Compagnie.

En vue de ne pas prolonger plus longtemps une situation aussi préjudiciable aux intérêts de la Compagnie Anglaise, l'Ambassade de Sa Majesté vient aujourd'hui prier la Sublime Porte de prendre les dispositions nécessaires à l'effet d'instituer et réunir à Constantinople la Commission prévue par l'Article X du Traité de Berlin, et donner aussi une solution à cette importante question pendante depuis si longtemps.

L'Ambassade de Sa Majesté espère que la Sublime Porte voudra bien l'honorer d'une réponse dans le plus bref délai possible.

No. 17.

Mr. Lascelles to the Marquis of Salisbury.—(Received May 11.)

(No. 71.)
My Lord, *Sophia, May* 1, 1880.

MR. BARKLEY, the representative of the Varna-Rustchuk Railway Company, who has recently returned to Sophia, has informed me that, in an interview which he has had with M. Zancoff, his Excellency insisted upon the delivery of the original documents in the possession of the Porte before entering into negotiations with regard to the payment of the sums guaranteed to the Company.

* Inclosure in No. 14.

As this demand appeared to me to be in complete contradiction with the arrangement entered into between Mr. Palgrave and M. Balabanoff, as reported in Mr. Palgrave's despatch No. 163 of the 11th August last, I thought it my duty to remind his Excellency of this arrangement, in consequence of which your Lordship instructed Mr. Palgrave, by your despatch No. 145 of the 10th November last, to deliver to the Bulgarian Government the authenticated copies of the various official documents which establish the Company's position *vis-à-vis* the Turkish and Bulgarian Governments.

M. Zancoff replied that he had been able to find no proof of any such agreement having been made; that when he was Bulgarian Agent at Constantinople he had received instructions to apply to the Porte for the original documents, but had never been able to procure them; but that, even admitting the existence of the arrangement in question, it was necessary that the original documents should be handed over to the Bulgarian Government in order to establish their right to the property.

I told his Excellency that it appeared to me that the question of proprietorship was settled by the Xth Article of the Treaty of Berlin, and that therefore the possession of the original documents was merely a question of form. I presumed his Excellency did not contest the accuracy of the certified copies which had been officially delivered to the Bulgarian Government by Mr. Ashburnham; and I did not conceal from his Excellency that the refusal of the Government to enter into negotiations on the subject of the payment of the guarantee until this question of form had been settled could not fail to produce a bad impression, and would certainly give rise to the belief that the Bulgarian Government were seeking excuses to delay the question being raised. I added that, with regard to the question itself, I could quite understand that difficulties might arise, and that I should be happy to submit any observations his Excellency might have to make for your Lordship's consideration.

M. Zancoff replied that it was true that, in the present financial condition of the Principality, it would be impossible to find the money. He reminded me also that, according to the Xth Article of the Treaty of Berlin, an understanding should be come to between the Porte, the Bulgarian Government, and the Company with regard to the settlement of accounts previous to the exchange of the ratifications of the Treaty, and that therefore it was all the more necessary that the question of property should be settled.

I used all the arguments in my power to induce his Excellency to accept the legalized documents already in the possession of the Bulgarian Government, and not to shelter himself behind a question of form, but without success; and, on my leaving him, his Excellency begged me to request Her Majesty's Government to use their influence with the Porte in order that the original documents might be given up to the Bulgarian Government.

It is evident that, in the present condition of the Bulgarian Treasury, it is impossible for the Bulgarian Government to pay the amount due on account of the guarantee to the Varna Railway Company. I am informed that Baron Hirsch, the Chairman of the Company to whom the Varna-Rustchuk Railway Company has been leased, has protested against the payment of any sums until his claims against the Company have been settled.

The position is no doubt a difficult one for the Bulgarian Government, who doubtless will seize every excuse for delaying its solution. They would also probably be glad to keep the question open until the time comes for fixing the amount of tribute to be paid to the Porte, and the amount of the Turkish Debt which the Principality will have to bear; but it appears to me that M. Zancoff would have acted with more wisdom in frankly stating the difficulties of the case, instead of taking advantage of the action of the Porte in not giving up the original documents.

The arrangement come to between Mr. Palgrave and M. Balabanoff appears to have been a verbal one, and although M. Zancoff did not contest its existence, he evidently does not consider that it is binding upon him, more especially as he had been instructed by M. Balabanoff himself to procure the original documents from the Porte.

I have the honour to request your Lordship to furnish me with instructions as to the course I am to pursue with regard to this matter.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 18.

Sir H. Layard to Earl Granville.—(Received May 11.)

(No. 57. Commercial.)
My Lord, *Constantinople, May 4, 1880.*

WITH reference to my despatch to Lord Salisbury No. 44 of the 12th April last, I have the honour to transmit herewith to your Lordship a copy of a further note which I have addressed to the Sublime Porte on the subject of the Varna-Rustchuk Railway, pressing for a speedy settlement of the claim.

I have, &c.
(Signed) A. H. LAYARD.

Inclosure in No. 18.

Sir H. Layard to Savas Pasha.

M. le Ministre, *Péra, le 1er Mai, 1880.*

L'AMBASSADE de Sa Majesté a plus d'une fois attiré la sérieuse attention de la Sublime Porte sur la nécessité de faire droit aux justes réclamations de la Compagnie du Chemin de Fer de Varna.

Toutefois les démarches incessantes de l'Ambassade ont été accueillies jusqu'à ce jour par une fin de non-recevoir, qui, tout en aggravant la situation de la Compagnie Anglaise, ne saurait nullement dégager la Sublime Porte de la responsabilité qui lui incombe.

En présence de cette pénible situation, j'avais chargé Sir A. Sandison de faire un nouvel appel aux sentiments d'équité du Gouvernement Impérial, et je viens d'apprendre que son Altesse le Premier Ministre, loin de se prêter aux vues légitimes de l'Ambassade, a répondu que les réclamations de la susdite Compagnie tombent sous le coup des stipulations du Traité de Berlin.

Votre Excellence me permettra de lui faire remarquer que la manière de voir de la Sublime Porte ne saurait pouvoir s'appliquer à l'égard du montant des 140,000*l.* dues par le Gouvernement Ottoman pour la garantie annuelle de 1874-75.

En effet, le 14 Septembre, 1875, Mr. Michel Timoni transmit officiellement à feu Essad Pacha, alors Ministre des Travaux Publics, le certificat des recettes brutes du Chemin de Fer de Varna pour l'année 1874-75, à teneur de la Convention passée en date du 18 Mai, 1872. Le Comptable du susdit Ministère chargea alors Tefik Bey, Commissaire Impérial à Roustchouk, de vérifier si le montant des recettes brutes s'accordait avec celui porté sur le certificat en question. En date du 11 Octobre, 1875, le Commissaire Impérial répondit que les chiffres étaient exacts. Sur sa réponse le Conseil du Ministère des Travaux Publics rédigea son Rapport, qui fut dûment signé le 4 Novembre, 1875, par le Ministre, Cadri Pasha, et consigné à Mr. Timoni, qui le présenta lui-même au Mustichar du Grand Viziriat.

En date du 15 Novembre, 1875, le représentant de la Compagnie du Chemin de Fer de Varna adressa une protestation au Grand Vizir pour le non-payement du montant de la dite garantie stipulée par la Convention du 12 Mai, 1872. En date du 18 Novembre, 1875, cette protestation fut communiquée par la Sublime Porte à Youssouf Pacha, alors Ministre des Finances. Le 3 Février, 1876, ce Ministre proposa à Mr. Timoni de régler le montant de la dite garantie au moyen de payements mensuels de 10,000*l.* Ces acomptes ont été portés à 12,100*l.* par mois, après avoir été l'objet de mûres discussions au sein du Conseil des Ministres du 28 Mai, 1876. Une lettre Vizirielle communiqua alors au Ministre des Finances cette décision de la Porte.

Au mois de Juillet 1876, un des membres du Conseil d'Administration de la Compagnie du Chemin de Fer de Varna, l'Honorable R. V. Grosvenor, arriva à Constantinople dans le but d'insister sur le payement du montant de la dite garantie. Mr. Grosvenor, accompagné de Mr. Michel Timoni, s'est présenté chez Mehmet Ruchdi Pacha, Grand Vizir, chez Ghalib Pacha, Ministre des Finances, et chez Server Pacha, Ministre des Travaux Publics d'alors. Tous ces Ministres du Sultan avaient promis d'une manière formelle et catégorique de payer en Septembre suivant 20,000*l.* sur les sommes considérables qui, selon eux, devaient rentrer au Trésor. Malheureusement, ces diverses promesses ne sont pas entrées dans le domaine des faits accomplis, et la Compagnie n'a reçu jusqu'à ce jour aucun des acomptes promis.

Les arguments que j'ai eu l'honneur d'invoquer suffiront, je l'espère, pour convaincre

la Sublime Porte que les 140,000*l.*, montant de la garantie de 1874-75, constituent une dette sacrée du Gouvernement Impérial dûment reconnue par lui à teneur de l'obligation dont copie ci-jointe, qu'il a délivré au représentant de la Compagnie.

En conséquence, la dite somme dont j'insiste à réclamer aujourd'hui le payement comme une dette sacrée du Gouvernement Ottoman envers la Compagnie, n'a rien de commun avec le montant des garanties de 1875-76, 1876-77, 1877-78, et celle du 1er Juillet au 3 Août, 1878, inclusivement, dont le réglement est réservé à la Commission prévue par l'Article X du Traité de Berlin, et que j'ai prié votre Excellence, par ma note verbale en date du 15 écoulé, de vouloir bien faire instituer et réunir à Constantinople plus tôt que faire se pourra.

Dans l'espoir donc que la Sublime Porte n'hésitera pas à faire droit à ma juste demande, et qu'elle ne me mettra pas dans la pénible nécessité d'en référer à mon Gouvernement, je prie votre Excellence de vouloir bien prendre les dispositions nécessaires pour assurer le payement de cette juste réclamation.

Je saisis, &c.
(Signé) A. H. LAYARD.

No. 19.

Mr. Taylor to Earl Granville.—(Received May 15.)

Varna Railway Company, Offices, 56, New Broad Street, London, May 14, 1880.

My Lord,

THE Directors of the Varna Railway Company have read in the public papers that there is a possibility of Her Majesty's Government addressing a Minute to the European Powers (Signatories of the Treaty of Berlin) calling their attention to the matters still unfulfilled in that Treaty, and seeking for their co-operation in giving effect to the provisions of same.

The Board desire, in reference to the possibility of such Minute being drawn up, to submit to your Lordship that particular mention should be made therein of the Xth Clause of the Treaty, and of the position of the Varna Company in reference thereto.

The facts in detail are before Her Majesty's Government on the correspondence that has passed between them and the Varna Company.

Practically, not only do the provisions of the Xth Clause remain entirely unfulfilled, but no serious attempt has been made by the Bulgarian Government to carry them into effect, and the whole tendency of the position assumed by that Government is to ignore the claims of the Company, and to delay, by all possible excuses, any attempt to deal with its affairs.

One of the excuses now put forward for delay is that the present Foreign Minister, M. Zancoff, declines to accept the notarially certified copies of the documents relating to the title of the Railway Company, and demands that the Ottoman Government should supply him with the originals, contrary to the agreement made with his predecessor, whose acts in the matter he declines either to acknowledge or be bound by.

The documents, duly certified with all necessary formalities, were furnished to the Bulgarian Government through Her Majesty's Foreign Office, and I beg to refer your Lordship to Mr. Palgrave's despatch to Her Majesty's Secretary of State for Foreign Affairs, dated on or about the 11th August, 1879, stating that the Bulgarian Government had consented to accept the certified copies in question; to the letter of the Company addressed to Her Majesty's Government on the 31st October, 1879, inclosing documents; and to the letter of Mr. Barkley to the Marquis of Salisbury, dated the 13th February, 1880.

The Board entertain great doubt whether the Ottoman Government can produce the original documents, as in probability they have been long ago destroyed. The Company, for obvious reasons, cannot part with the duplicate originals in their possession.

In conclusion, my Lord, I must apologize for again pressing the Government on the matter, but the Board are anxious that the interest of the bondholders and the shareholders of the Company shall not suffer from any failure on their part to call the attention of Her Majesty's Government to the matter.

I beg, &c.
(Signed) G. CAVENDISH TAYLOR, *Chairman.*

No. 20.

Earl Granville to Sir H. Layard.

(No. 85. Commercial.)

Foreign Office, May 17, 1880.

Sir,

HER Majesty's Government approve the note addressed by you to the Porte, a copy of which is inclosed in your Excellency's despatch No. 57, Commercial, of the 4th instant, on the subject of the Varna-Rustchuk Railway Company's claim.

I am, &c.
(Signed) GRANVILLE.

No. 21.

Messrs. Taylor and Barkley to Earl Granville.—(Received June 23.)

Varna Railway Company, Offices, 56, New Broad Street, London, June 19, 1880.

My Lord,

WE have the honour herewith to furnish your Lordship with a copy of the correspondence between Mr. J. T. Barkley and M. Balabanoff, the Bulgarian Foreign Minister, in August 1879, on the subject of the Varna Railway Company's claims on Bulgaria.

The letters in question establish the understanding under which certified copies of the documents which form the Varna Railway Company's title to the railway and guarantee of interest on its capital were transmitted to the Bulgarian Government, through the intervention of the Foreign Office, by Her Britannic Majesty's Diplomatic Agent in Sophia.

The understanding thus aimed at has been summarily set aside by the present Bulgarian Ministers, who have reverted to the original pretension of their predecessors —that the duplicate original documents themselves, which are, or should be, in the possession of the Porte, should be produced and handed over to the Bulgarian Government preliminary to any consideration of the Company's rights under Article X of the Berlin Treaty being entered upon.

The obvious intention of the shifty course adopted by the Bulgarian Ministers—an intention confirmed by private information which we have received—is to postpone any consideration whatever of the Varna Company's claims under Article X of the Treaty of Berlin until the questions arising under Article IX of the Treaty, in respect of the amount of the tribute to be paid by Bulgaria, and the proportion of the Public Debt of Turkey which is to be attributed to that Principality, come before the Powers for determination.

The period indicated by the Treaty for taking action on these questions now approaches, and it is consequently the object of this letter to call your Lordship's attention to the fact that the just claims of the Varna Company upon Bulgaria, which date from the ratification of the Berlin Treaty, have been entirely and purposely evaded and disregarded by successive Bulgarian Ministries, and to appeal to your Lordship to intervene in the Company's behalf in the sense that no settlement of the questions under Article IX of the Berlin Treaty be come to which does not provide, in the first instance, for a settlement of the Varna Company's antecedent claims under Article X of that Treaty.

The Company is prepared at any time to give any information or explanations which may be required, and to cause its Commissioner to attend before any Conference which may be charged with the settlement of the questions referred to in this letter.

We have, &c.
(Signed) G. CAVENDISH TAYLOR, *Chairman.*
JOHN TREVOR BARKLEY, *Commissioner for the Varna Railway Company vis-à-vis the Bulgarian Government and the Porte.*

Inclosure 1 in No. 21.

Mr. Barkley to M. Balabanoff.

Sophia, le 11 Août, 1879.

M. le Ministre,

J'AI eu l'honneur dernièrement d'exposer à votre Excellence les droits de la Compagnie du Chemin de Fer Varna-Roustchouk, lequel j'ai l'honneur de représenter en qualité de Commissaire muni de pleins pouvoirs vis-à-vis de la Bulgarie et aussi de la Sublime Porte.

J'ai reçu en réponse de votre Excellence, comme aussi de son Excellence le Président du Conseil Ministériel, qu'il fallait que le Gouvernement de la Principauté (substituée pour la Sublime Porte en vertu du Traité de Berlin, à tous les droits comme à toutes les obligations envers la dite Compagnie) soit préalablement munie des pièces authentiques en ce qui regarde la concession et les autres arrangements pour la construction et l'exploitation du Chemin de Fer Varna-Roustchouk.

Je m'empresse donc, M. le Ministre, de vous avertir que j'ai écrit aux Administrateurs de la Compagnie en Angleterre en les priant de faire préparer en langue Française des copies authentiques et certifiées des documents voulus.

Aussitot qu'elles seront prêtes les papiers seront remis au Ministère des Affaires Étrangères en Angleterre, pour être expédiés à l'Agent Diplomatique de Sa Majesté Britannique en Bulgarie, et enfin livrés à votre Excellence.

En attendant l'honneur de votre réponse afin de la remettre à la dite Compagnie, veuillez agréer, &c.

(Signé) J. TREVOR BARKLEY,
Commissaire de la Compagnie du Chemin de Fer Varna-Roustchouk.

Inclosure 2 in No. 21.

M. Balabanoff to Mr. Barkley.

Ministère des Affaires Étrangères et des Cultes,
Sophia, le 31 Juillet / 12 Août, 1879.

Monsieur,

EN réponse à votre lettre en date du 11 Août, j'ai l'honneur de vous remercier du service que vous voulez bien rendre au Gouvernement Princier en vous chargeant de lui faire avoir par le Ministère Anglais les documents authentiques concernant les arrangements primitifs et fondamentales sur la Compagnie Anglaise du Chemin de Fer Varna-Roustchouk. De son côté le Gouvernement Princier prend déjà des mesures pour pouvoir réunir les informations absolument nécessaires à l'étude sérieuse et approfondie de l'affaire en question.

En attendant, Monsieur, je vous prie, &c.

(Signé) M. BALABANOFF.

No. 22.

Earl Granville to Mr. Lascelles.

(No. 13. Commercial.)

Foreign Office, July 19, 1880.

Sir,

WITH reference to my despatch No. 10, Commercial, of the 2nd instant, I transmit to you herewith a copy of a letter from the Varna and Rustchuk Railway Company on the subject of their claims against the Bulgarian Government.*

I understand from verbal communications made by Mr. Barkley, the representative of the Company, that their immediate interest is concerned in the prompt payment of the yearly guarantee of 140,000*l.*; and it appears to Her Majesty's Government that whatever arrangement may be come to eventually as to the payment of arrears due up to the date of the Treaty of Berlin, the Government of Bulgaria are clearly bound not to withhold the annual payment to the Company of 140,000*l.* from that date; and that there is no ground for mixing up this question with that of their obligations as to tribute under Article IX of the Treaty.

Their delay in effecting this annual payment is, in the opinion of Her Majesty's Government, a clear breach of the Treaty, and I have therefore to instruct you to remonstrate strongly with the Bulgarian Government on the subject.

In your despatch No. 71 of the 1st May you reported that the Bulgarian Minister for Foreign Affairs had pleaded the present financial condition of the Principality as an excuse for withholding payment of this just claim, but no indication was given of any

* No. 21.

effort being made by his Government to raise the necessary funds in order to meet their obligations under the Treaty of Berlin; and the attitude of supineness assumed by them in this matter is such as Her Majesty's Government cannot but view with grave dissatisfaction.

I am, &c.
(Signed) GRANVILLE.

No. 23.

Mr. Lascelles to Earl Granville.—(*Received August* 23.)

(No. 9. Commercial.)

Sophia, August 9, 1880.

My Lord,

I HAVE the honour to inclose a copy of the note which, in obedience to the instructions contained in your Lordship's despatch No. 13, Commercial, of the 19th ultimo, I have addressed to M. Zancoff on the subject of the non-payment of the guarantee to the Varna-Rustchuk Railway Company under Article X of the Treaty of Berlin.

In a conversation which I had this morning with M. Zancoff, I communicated to his Excellency verbally the instructions I had received from your Lordship. His Excellency said that it seemed that Her Majesty's Government suspected the Bulgarian Government of being anxious to avoid the obligations laid upon them by the Treaty. This, he said, was not the case; they fully admitted that they were bound by the Treaty, but he reminded me that there was a deficit of 3,000,000 fr. in the Budget for the year, and he did not know how the money was to be provided to cover it. He could assure me that the claim of the Varna-Rustchuk Railway Company had not been lost sight of by the Bulgarian Government in considering the various proposals which had been made for the construction of other railways in the Principality.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 23.

Mr. Lascelles to M. Zancoff.

Sophia, le 9 *Août*, 1880.

M. le Ministre,

LE Président de la Compagnie du Chemin de Fer de Varna-Roustchouk a adressé une lettre à Lord Granville, Premier Secrétaire d'Etat de Sa Majesté Britannique, pour le prier d'intervenir auprès du Gouvernement Bulgare pour le payement de la garantie d'intérêt sur le capital de la Compagnie, d'après l'Article X du Traité de Berlin.

Il paraît au Gouvernement de Sa Majesté que quel que soit l'arrangement qui serait fait éventuellement pour le payement des arriérés qui étaient dus à l'époque de la signature du Traité, de Berlin le Gouvernement Bulgare est tenu depuis cette date à faire face au payement annuel de 140,000*l.*, et qu'il n'y a aucune raison pour que cette question soit confondue avec celle de l'obligation de supporter une part de la dette publique de l'Empire Ottoman d'après l'Article IX du Traité.

Le délai apporté par le Gouvernement de la Principauté à pourvoir au payement annuel de la somme en question est, dans l'opinion du Gouvernement de Sa Majesté, une infraction évidente du Traité, et j'ai été chargé, en conséquence, d'adresser une rémontrance énergique à votre Excellence à ce sujet.

Je n'ai pas manqué, dans un Rapport que j'ai adressé à Lord Granville le 1er Mai, de rapporter la conversation que j'ai eu l'honneur d'avoir avec votre Excellence, dans laquelle vous avez attiré mon attention sur l'impossibilité, dans la position actuelle des finances de la Principauté, de trouver les sommes nécessaires pour faire face à cet engagement; mais Lord Granville observe que votre Excellence n'a donné aucune indication de l'intention du Gouvernement Bulgare de faire des efforts pour se procurer les sommes nécessaires pour remplir les obligations qui incombent à la Principauté, en vertu du Traité de Berlin, et je suis chargé d'informer votre Excellence que l'attitude d'inertie adoptée par le Gouvernement Bulgare ne peut pas être envisagée par le Gouvernement de Sa Majesté qu'avec une grande dissatisfaction.

Veuillez, &c.
(Signé) FRANK C. LASCELLES.

No. 24.

Earl Granville to Mr. Lascelles.

(No. 22. Commercial.)

Foreign Office, August 28, 1880.

Sir,

I HAVE received your despatch No. 9, Commercial, of the 9th instant, and I have to express to you my approval of the note which you addressed to M. Zancoff relative to the claims of the Varna-Rustchuk Railway Company.

I am, &c.

(Signed) GRANVILLE.

No. 25.

Mr. Lascelles to Earl Granville.—(Received September 6.)

(No. 15. Commercial.)

Sophia, August 24, 1880.

My Lord,

WITH reference to my despatch No. 9, Commercial, of the 9th instant, I have the honour to inclose a copy of the reply which I have received from M. Zancoff to the note which I addressed to him on the subject of the non-payment of the guarantee of interest to the Varna-Rustchuk Railway Company.

After stating that the Bulgarian Government would be much distressed if their acts or intentions should merit the disapproval of Her Majesty's Government, M. Zancoff calls attention to the financial difficulties which, he says, the Bulgarian Government have not been able to overcome as soon as they could have desired, and for the origin of which they are not responsible; and he adds that it is not merely the insufficiency but also the uncertainty of the resources of the Treasury which has rendered it impossible for the Government to meet their obligations. Nothing could be further from the intentions of the Bulgarian Government than to deny the obligatory character of the debt, and they are animated with the sincere desire to find the means of meeting it in spite of the heavy sacrifices which it imposes on them; but it is evident from the Xth Article of the Berlin Treaty that the payment of this debt depends upon the settlement of the previous accounts, and an understanding on this point will be an important step towards the settlement of the amount due to the Company. In the meantime, the Bulgarian Government will use all their efforts to arrive at a correct knowledge of the financial resources of the country, and as soon as this double result is obtained they will consider "en connaissance de cause" the best means of meeting their various obligations, among which the guarantee of interest due to the Rustchuk-Varna Railway Company will form the object of their special solicitude. M. Zancoff concludes by requesting me to bring these explanations to the attention of Her Majesty's Government, who, he trusts, will take them into consideration with the same equity and indulgence to which the Bulgarian Government have never applied in vain.

As M. Zancoff left Sophia yesterday for Varna, I shall not have an opportunity of speaking to his Excellency for some days; I had, however, an interview with his Excellency yesterday before his departure, in which he told me that I should receive the note in the course of the day, and he requested me to forward it at once to your Lordship.

M. Zancoff observed that it would be impossible for the Principality to pay the whole amount of 140,000*l.* a-year, and that if the demand were pressed they would be obliged to meet it by a *non possumus*. Your Lordship will perceive that M. Zancoff does not mention the amount due to the Company, and it is possible that he may hope that an examination of the previous accounts may lead to a reduction of the amount of the guarantee; I understand, however, that his chief hope is to find some other Company who would be willing, in return for the concession of making other railways in Bulgaria, to relieve the Bulgarian Government of their obligations, or at all events a considerable part of them, towards the Rustchuk-Varna Railway Company.

I have, &c.

(Signed) FRANK C. LASCELLES.

Inclosure in No. 25.

M. Zancoff to Mr. Lascelles.

Sophia, le 23 *Août*, 1880.

M. l'Agent,

J'AI l'honneur d'accuser reception de la note que vous avez bien voulu m'adresser à la date du 9 Août (*n. s.*) pour me transmettre les observations du Gouvernement

de Sa Majesté Britannique au sujet des obligations à l'égard de la Compagnie du Chemin de Fer de Varna-Roustchouk, résultant pour la Principauté de Bulgarie de l'Article X du Traité de Berlin.

Mes collègues et moi, profondément persuadés de la bienveillance qui dicte toujours les précieux avis que nous adresse votre Gouvernement, bienveillance dont nous avons recueilli jusqu'à présent de nombreux témoignages, nous avons examiné la communication précitée avec toute l'attention qu'elle mérite.

A la suite de nos délibérations sur son contenu, je tiens avant tout à vous assurer, Monsieur l'Agent, que nous serions profondément peinés de voir nos actes ou nos intentions mériter la désapprobation du Gouvernement de Sa Majesté la Reine.

Aussi aurions-nous manqué aux devoirs de la loyauté si nous lui dissimulons les difficultés financières qu'il n'est pas plus en notre pouvoir d'écarter aussitôt que nous l'aurions désiré; que d'autre part, il n'avait pas dépendu de nous d'en prévenir les causes.

C'est uniquement dans le but de faire connaître notre situation réelle que nous avons dû invoquer non seulement l'insuffisance, mais même l'incertitude de ressources actuelles du Trésor, afin d'expliquer tant à vous-même, Monsieur l'Agent, et à vos prédécesseurs, qu'aux représentants de la Compagnie Roustchouk-Varna, les motifs qui, malgré tout notre désir, nous mettent dans l'impossibilité de faire face dès à présent au payement de la garantie d'intérêts dus à cette dernière.

Toutefois, rien n'est plus éloigné de notre pensée que l'intention de méconnaître la valeur obligatoire de la dette qui nous est imposée.

Nous sommes au contraire animés du désir le plus sincère de rechercher avec soin les moyens qui pourraient nous permettre de l'acquitter malgré les lourds sacrifices auxquels notre pays devrait se résigner dans ce but. Mais il est évident qu'aux termes même de l'Article X du Traité précité le payement de cette dette dépend directement du réglement des comptes antérieurs.

Dès que l'entente sur ce point prévu par la stipulation susmentionnée aura pu s'établir entre les intéressés, une donnée importante sera acquise en vue du payement des sommes dues à la Compagnie du Chemin de Fer Roustchouk-Varna à titre de garantie d'intérêt.

En attendant, nous employerons tous nos efforts pour préciser et fixer la situation générale des finances de la Principauté.

Lorsque ce double résultat aurait été acquis, nous pourrons nous occuper en connaissance de cause de la recherche de moyens pratiques pour satisfaire les diverses obligations qui pèsent sur nous.

Celle qui fera alors l'objet de notre sollicitude particulière sera la garantie des intérêts à laquelle la Compagnie Roustchouk-Varna a un droit incontestable.

Telles sont, Monsieur l'Agent, les explications franches sur lesquelles nous vous prions de vouloir bien appeler la bienveillante attention du Gouvernement de Sa Majesté Britannique.

Nous nous permettons d'espérer que grâce à votre obligeante intercession il voudra bien les apprécier avec l'équité et l'indulgence que jusqu'à présent nous n'avons jamais invoquées en vain de sa part.

Dans cet espoir je saisis, &c.

(Signé) D. ZANCOFF.

No. 26.

Mr. Walsh to Sir J. Paunceforte.—(Received September 8.)

Sir,

56, *New Broad Street, September* 7, 1880.

I BEG leave to inform you that I have been advised by the representative of this Company in Bulgaria "that the arrears due by the Bulgarians for 1878-79, 1879-80, thanks to the intervention of the Foreign Office, have been acknowledged by that Government in a despatch dated the 23rd August, addressed to Mr. Lascelles, to be incontestably due."

I am therefore instructed to request you will be kind enough to furnish this Company with a copy of the said despatch, or such portion thereof as concerns it.

I have, &c.

(Signed) J. F. WALSH, *Secretary.*

No. 27.

Sir J. Paunceforte to Mr. Walsh.

Sir, *Foreign Office, September* 20, 1880.

IN reply to your letter of the 7th instant, asking for a copy of a note addressed by the Bulgarian Foreign Minister to Her Majesty's Representative at Sophia, I am directed by Earl Granville to inform you that it is not the practice of this Office to furnish copies of official documents of that nature. I am, however, to state to you the substance of the communication to which you refer, and which was received by Mr. Lascelles on the 23rd ultimo, in reply to the representations which he had been instructed to address to the Bulgarian Government on behalf of the Varna and Rustchuk Railway Company.

In this note M. Zancoff dwells upon the financial difficulties which the Bulgarian Government have not been able to overcome as soon as they could have desired, and for the origin of which they are not responsible. He states that they have appealed to the insufficiency and uncertainty of the resources of the Treasury with the sole object of frankly exposing the real situation and explaining the reasons which render it impossible for them—despite their wishes—to meet the payment of the guaranteed interest due to the Company. M. Zancoff continues to say that nothing is further from the idea of the Bulgarian Government than to decline to recognize the binding character of the debt imposed upon them; that they are animated, on the contrary, by the most sincere desire to seek out the means which would permit them to discharge it, notwithstanding the heavy sacrifices to which the country would have to resign itself for that purpose; but M. Zancoff adds that, it is evident that, under the terms of Article X of the Treaty of Berlin, the payment of this debt depends entirely on the settlement of the previous accounts.

When an understanding on this point, as provided by the Article above mentioned, shall have been arrived at among the parties interested, an important basis will have been obtained with reference to the payment of the sums due to the Company for guaranteed interest. In the meanwhile, the Bulgarian Government will make careful inquiry into the state of the finances of the Principality, and when the result of these preliminary measures has been obtained, the Government will be enabled, with full knowledge of the facts, to seek out the practical means of meeting their various obligations. That which will then be the object of their special solicitude will be the guaranteed interest to which the Rustchuk and Varna Railway Company have an incontestable right.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 28.

VARNA RAILWAY COMPANY.

The Council's Report.

To be submitted to the Shareholders at the Thirty-first Half-yearly Meeting, to be held at the Cannon Street Hotel, on Wednesday, the 29th September, 1880, at 2 o'clock.

Members of Council.

George Cavendish Taylor.
Henry Wollaston Blake.
The Hon. Robert W. Grosvenor
Lord Henry Gordon Lennox, M.P.
Charles Liddell.
Henry Parkinson Sharp.
John Trevor Barkley.
The Hon. James Terence Fitzmaurice.
Charles Tottenham.

DURING the past Session of the Bulgarian Assembly no proposal was submitted by the Ministry having for its object the satisfaction of the debt due to this Company by

the Principality. On the contrary, in disregard of the understanding come to with a preceding Ministry, the question was postponed, on the plea that the documents which had been presented on the part of the Company by Her Britannic Majesty's Diplomatic Agent at Sophia could only be examined in conjunction with the duplicates of the same in the possession of the Porte.

2. Under these circumstances, the Council had recourse to Her Britannic Majesty's Foreign Office for assistance, with the result that, within the last month, the Bulgarian Government has officially and unreservedly admitted, in a despatch to Her Britannic Majesty's Agent at Sophia, its obligation to discharge the debt due to the Company under its guarantee.

3. The Government explains that the cause which has hitherto prevailed, and still prevails, to prevent the Principality from meeting its engagement to the Company has been financial inability, arising from an insufficiency of revenue.

4. It is probable that the Bulgarian Government, in putting forward this explanation, has overlooked the fact that, taken as it stands, it suggests a condition of approximate insolvency which happily the real facts of the position do not in any degree warrant. The utmost extent to which the plea preferred by the Ministers can be admitted is that the revenue, as hitherto levied and disbursed, has been found unequal to the requirements of the Principality.

5. Nevertheless, to arrive at an equilibrium, and at the same time provide for the claims of the Varna Company, would not appear to be difficult, inasmuch as the present revenue amounts to little, if at all, more than 10*s.* per head of the population, and consequently represents barely 50 per cent. of the fiscal burdens which other nationalities occupying less fertile districts in Eastern Europe habitually support with ease.

6. The Council of Administration, with these facts before it, cannot entertain any doubt of the ability of the Principality to fulfil its engagements to the Company, and to give effect in this respect to the conditions of the Berlin Treaty. The Council has, moreover, the assurance of the support of Her Britannic Majesty's Government towards the same end. Under these circumstances, it may fairly be assumed that an arrangement in the sense desired will be carried out within a limited time.

7. The Bulgarian Government is now called upon to provide for nearly two years of the guarantee, and will probably seek to find the requisite sum—about 270,000*l.*—through some special arrangement. Already M. Zancoff, the Bulgarian Premier, has invited the Company to suggest some measure—whether by capitalization of the arrears due from Bulgaria or otherwise—which will enable the Principality to satisfy the Company's claim for the past without taking the necessary amount from the current revenue. An arrangement of the nature indicated would appear to your Council acceptable in principle, provided it be accompanied by a satisfactory provision for the future annual discharge of the guarantee.

8. As regards that portion of the arrears of guarantee which attaches to the year ending the 30th June, 1875, the Porte has lately written to Her Britannic Majesty's Ambassador at Constantinople acknowledging its indebtedness in the total amount claimed, 140,000*l.*; and the Ambassador has now under consideration whether the peculiar circumstances of the case may not merit that this sum be paid by instalments, or otherwise be specially provided for, apart from any general settlement which may eventually be come to in reference to the floating debt.

9. The remainder of the arrears of guarantee—viz., for the three years 1876-77-78, immediately preceding the Berlin Treaty—amounting to about 420,000*l.*, has to be dealt with under that Treaty by means of an understanding between the Porte, the Bulgarian Government, and the Company. The observance of this undertaking has been constantly pressed upon the two Governments by the Company, and at length assurances have been given that this important matter will be no longer disregarded.

The Council regret to have to report that the "Working" Company has protested at Sophia against the Bulgarian Government making any payment on account of the Company's guarantee until certain indefinite claims of that Company on the Varna Company are settled.

The Council has repeatedly called upon the "Working" Company to state the nature and amount of its demands, but has not hitherto obtained any statement which explicitly affords the information required. Meanwhile, the Council, acting under legal advice, has disclaimed any pecuniary liability of the Varna Company to the "Working" Company.

During the past year the "Working" Company has placed four new goods locomotives and fifty goods waggons on the line. A considerable number of sleepers has also been renewed.

A Statement of Accounts, as certified by the Auditors, for the year ending the 30th June, 1880, will be found annexed to this Report.

The Directors retiring from office at this meeting, in accordance with a provision in the Statutes, are Mr. H. P. Sharp and Lord Henry G. Lennox, who, being eligible, offer themselves for re-election.

Messrs. Turquand, Youngs, and Co., the Auditors of the Company, also retire, and are eligible for re-election.

By order of the Council of Administration,
(Signed) J. F. WALSH, *Secretary.*

56, *New Broad Street, London,*
September 22, 1880.

No. 29.

Mr. Lascelles to Earl Granville.—(*Received December* 13.)

(No. 27. Commercial.)

Sophia, November 29, 1880.

My Lord,

M. ZANCOFF has informed me that the Bulgarian Government are anxious to come to some arrangement with regard to their obligations towards the Varna-Rustchuk Railway Company. Mr. Barkley, the representative of the Company, was shortly expected in Sophia, and would probably have some proposals to make. If, however, he came merely to demand the payment of 140,000*l.* a-year, the Bulgarian Government could only declare that they had not the means of paying. His Excellency then went on to say that he was anxious to consult me with regard to the obligations laid upon Bulgaria by the Treaty of Berlin, and chiefly with regard to the part of the Turkish debt which the Principality would have to bear.

I replied that, as Mr. Barkley was coming to Sophia, I thought it would be better to await his arrival, and see what arrangement could be come to with regard to the Varna-Rustchuk Railway.

With regard to the share of the Turkish debt, I reminded his Excellency that it had been laid down in the Treaty of Berlin that the amount of tribute to be paid by Bulgaria to the Porte, and the share of the Turkish debt to be borne by Bulgaria, were to be settled by the Powers.

M. Karaveloff, the Minister of Finance, who was present during a part of this conversation, observed that the obligations laid upon Bulgaria by the Treaty of Berlin were far heavier than she could bear, and would swallow up nearly all her revenue; and he said he would be glad of an opportunity of going into the whole question with me, and asking my advice as to the course which Bulgaria ought to adopt.

I replied that I should always be glad of rendering any assistance in my power to the Bulgarian Government. As, however, I had no experience in financial matters, my advice on such a subject would be of no value. The arrival of Mr. Barkley would afford an opportunity of discussing the question of the arrangements to be made with respect to the Varna-Rustchuk Railway Company, and with regard to the tribute and share of the Turkish debt, it appeared to me that the Powers would necessarily require to satisfy themselves as to the amount of the resources of the Principality, and I did not see how this could be done without the formation of a Commission to inquire into the subject.

If the obligations laid upon Bulgaria by the Treaty of Berlin were really greater than she could bear, it appeared to me that the wisest course for the Bulgarian Government to pursue would be to draw up a full and clear statement of the case, and submit it to the consideration of the Signatory Powers. I should always be ready to transmit such a statement to your Lordship, and I reminded M. Zancoff that shortly after my arrival at Sophia I had suggested that he should follow this course with regard to the claims of the Varna-Rustchuk Railway Company.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 30.

Earl Granville to Mr. Lascelles.

(No. 30. Commercial.)

Foreign Office, December 31, 1880.

Sir,

I HAVE received your despatch No. 27, Commercial, of the 29th ultimo, reporting a conversation with M. Zancoff respecting the obligations of the Bulgarian Government towards the Varna and Rustchuk Railway Company; and I have to express to you my approval of your language on that occasion.

I am, &c.
(Signed) GRANVILLE.

No. 31.

Messrs. Taylor and Barkley to Earl Granville.—(*Received January* 7.)

Varna Railway Company, Offices, 56, *New Broad Street, London, January* 6, 1881.

My Lord,

WE have the honour, on the part of the Varna Railway Company, to inform your Lordship that the Bulgarian Government has offered to pay that Company the sum of 80,000*l.* in full discharge of the arrears of guarantee due by the Bulgarian Government under Article X of the Berlin Treaty.

In other words, the Bulgarian Government proposes to pay 80,000*l.* in full discharge of a debt, speaking in round figures, of 270,000*l.*

This offer is, moreover, conditional on the Varna Company agreeing to accept 40,000*l.* per annum under its guarantee in place of the 140,000*l.* to which it is entitled.

The plea advanced by the Bulgarian Ministry in support of the Government proposition is identical with that put forward in M. Zancoff's despatch to your Lordship of the 23rd of August last, viz., the inability of Bulgaria to pay either the arrears due or the guarantee in future in their full amount.

It is probably superfluous for us to trouble your Lordship with any statements in refutation of this declaration.

Situated as Bulgaria is, her inability to pay her debts, or to otherwise observe the engagements imposed upon her *vis-à-vis* the Varna Company by the Berlin Treaty, cannot be seriously entertained for one moment.

Under the existing circumstances of the country, any present inability of the nature indicated can notoriously either only be voluntarily and purposely assumed, or brought about for the purpose of obtaining "better terms" from her creditor.

The Council of Administration of the Varna Company has no power, even had it the desire, to accept any compromise of the Company's claims on Bulgaria under the Treaty. It can accept nothing short of their full satisfaction.

To enter upon a course of "bargaining," in view of a final compromise, would be *ultra vires* upon its part. It is consequently of the utmost consequence that no misapprehension in this respect should obtain either at the Foreign Office or in Bulgaria.

To accept terms of payment on conditions calculated to suit the convenience of the Bulgarian Government is the extent to which its powers enable it to go. To this extent it is not only prepared but anxious, as in duty bound, to meet the Bulgarian Government's views, it being always understood that the basis of negotiation is that of eventual payment and not of compromise.

It is our duty to bring the present phase of the question, accompanied by this explanation, to your Lordship's notice, and to again solicit the continued intervention of Her Britannic Majesty's Government to the end that the Bulgarian Government be induced to satisfy the claims of the Varna Company without further attempting to either evade or reduce them.

The measures taken by Her Britannic Majesty's Government up to this time have, it may be reasonably assumed, resulted in rendering it obvious to the Bulgarian Ministry that a policy of simple non-recognition or transparent evasion is no longer to be depended upon.

The Bulgarian Government has, by the offer before referred to, relinquished this position. It may consequently be anticipated that, by continuing to insist on the observance of the conditions of the Berlin Treaty, Her Britannic Majesty's Govern-

ment will be able to obtain their full observance in so far as they affect the Varna Company.

The Council of Administration clearly comprehends that the task of bringing the Bulgarian Government to accept the obligations of the Berlin Treaty is beyond the scope of its unassisted efforts.

Its reliance must, in the nature of things, rest on the action of Her Britannic Majesty's Government.

The Council has reason to believe that the present offer of a composition by the Bulgarian Government is mainly due to a desire to conciliate Her Britannic Majesty's Government, in anticipation of the time, which is fast approaching, when the Austro-Hungarian Government will more positively insist than it has heretofore done on the fulfilment of those conditions of Article X of the Berlin Treaty which do not apply to the Varna Company, in which Austria-Hungary has no immediate interest, but which do apply in an all-important degree to the construction of the junction link of railway between Servia and Roumelia, in which she has a preponderating interest.

In concluding this letter, we venture to call your Lordship's attention to the circumstance that while pleading inability for want of means to satisfy the guarantee of the Varna Company, the Bulgarian Assembly has within the last month, at the instigation of the Ministry, resolved that the construction of a *réseau* of railways in the Principalities is so urgently required that the Ministry is enjoined to call the Assembly again together at the end of two months for the purpose of taking measures to insure its construction.

A statement of the railways which are to form the *réseau*, in the order of their "urgency" is appended to this Resolution, from which it would appear that an expenditure of several millions sterling is contemplated, not only without apprehension, but as coming easily within the range of an immediate possibility

The contradiction involved in simultaneously putting forward the plea of virtual insolvency and passing this Resolution is further emphasized when it is observed that the projected *réseau* of railways is made up entirely of strategical lines, which under the most favourable conditions can do little or nothing to develop the material and commercial interest of the Principality, and which may be considered fortunate if they prove equal to earning their working expenses.

We have, &c.
(Signed) G. CAVENDISH TAYLOR, *President.*
J. TREVOR BARKLEY, *Commissioner.*

No. 32.

Mr. Lascelles to Earl Granville.—(*Received January* 11, 1881.)

(No. 34. Commercial.)

My Lord, *Sophia, December* 28, 1880.

MR. GEORGE BARKLEY, who has been here with the view of ascertaining the intentions of the Bulgarian Government with regard to the payment of the guarantee to the Varna-Rustchuk Railway Company, left Sophia on the 25th instant, having received a promise from M. Stoïtchoff that he should shortly receive a letter from him containing proposals to be laid before the Company.

I understand these proposals to be the immediate payment of 80,000*l.* on account of the two years' guarantee already due, and an annual payment of 40,000*l.*, or 2 per cent. upon a capital of 2,000,000*l.*

I have had frequent conversations with M. Stoïtchoff on this subject, who has assured me of the earnest desire of the Bulgarian Government to settle this question, and has asked my assistance and advice in the matter. My language to M. Stoïtchoff has always been the same, viz., that, as Bulgaria had been substituted for the Porte with regard to this matter, the Principality was bound to pay the amount of guarantee due, and that officially I could not do otherwise than remind the Bulgarian Government of this obligation. I have, however, told M. Stoïtchoff unofficially that I did not presume that Her Majesty's Government would insist upon better terms for the Company than the Company would demand itself, and that if the Bulgarian Government and the Company could come to terms with regard to the payment of a smaller amount, I did not anticipate any objection on the part of Her Majesty's Government. M. Stoïtchoff having thrown out a suggestion that an arrangement might be come to, taking as a basis the value of the bonds at the time of the signature of the Treaty of Berlin, I told

his Excellency that such an arrangement appeared to me to be absolutely unacceptable, unless the Bulgarian Government contemplated the purchase of the line. The value of the bonds at any particular time could not in any way affect the obligation to pay the guarantee. The Bulgarian Government had admitted the obligation, but had pleaded their inability to pay the whole amount. In any proposals they might have to make it appeared to me that it would be wiser to suggest a reduction of the rate of interest than to raise a question as to the capital. It appeared to me that it would be necessary for the Bulgarian Government to pay a sum of money down on account of the guarantee due for the last two years, as a proof that they were sincere in their desire to settle the question, and I also suggested that the Bulgarian Government would do well to state at once the amount which they would be able to pay, and not to offer a sum lower than that which they were prepared to give.

M. Stoïtchoff appeared to agree with me, but he has not been able to induce his colleagues to follow my advice on the last point, as he has given Mr. Barkley to understand that the proposals which are now made are merely the first offer of the Bulgarian Government, who would probably agree to terms more favourable to the Company.

I think there is no doubt that the Bulgarian Government would be glad to settle this question, and they hope that their doing so will be taken as a proof of their desire to meet their obligations, and will produce a good effect in Europe, and more especially upon Her Majesty's Government.

I understand that the agent of the Working Company has protested against the payment of any money to the Varna-Rustchuk Railway Company until the claims of the Working Company have been settled, and it is not improbable that a proposal may be made to pay the amount claimed by the Working Company into the hands of trustees until an arrangement is come to between the two Companies.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 33.

Earl Granville to Mr. Lascelles.

(No. 2. Commercial.)

Sir, *Foreign Office, January* 15, 1881.

I TRANSMIT to you herewith, for your information, a copy of a letter from the Varna Railway Company, stating the nature of a compromise offered to them by the Bulgarian Government in full satisfaction of their claims;* but which was declined by the Company for the reasons stated in their letter.

You will continue to give this matter your careful attention, and will not relax your efforts on behalf of the Company; maintaining a firm attitude with regard to the necessity of their claims being settled in accordance with the provisions of the Treaty of Berlin.

I am, &c.
(Signed) GRANVILLE.

No. 34.

Sir J. Pauncefote to Mr. Barkley.

Sir, *Foreign Office, January* 15, 1881.

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 6th instant, stating the nature of a compromise offered to the Varna Railway Company by the Bulgarian Government in full satisfaction of their claims; and I am to inform you that a copy of your letter has been sent to Her Majesty's Representative at Sophia, with instructions not to relax his efforts on the Company's behalf.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

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* No. 31.

No. 35.

M. de Giers to Prince Lobanow.—(Communicated to Earl Granville by Prince Lobanow, January 25.)

M. l'Ambassadeur, *St. Pétersbourg, le 5 Janvier*, 1881.

LE Gérant de notre Agence Diplomatique à Sophia nous a informé par le télégramme ci-joint, que la Compagnie Anglaise du Chemin de Fer de Roustchouk-Varna vient de rejeter les offres d'accommodement qui lui ont été faites par le Gouvernement Bulgare relativement à la garantie de ce chemin de fer.

Il résulte du télégramme de M. Lischine que la Bulgarie proposait un payement annuel de 1,000,000 fr., et qui pouvait être élevé au besoin, sans devenir tout à fait ruineux pour le Trésor de la Principauté, à 1,500,000 fr.

Les obligations du Gouvernement Bulgare quant au Chemin de Fer de Roustchouk-Varna découlent, ainsi que votre Excellence ne l'ignore pas, de l'Article X du Traité de Berlin, qui substitue la Principauté aux charges qui pesaient sur la Porte avant la guerre. Ces obligations sont computées par la Compagnie à une somme annuelle de 3,500,000 fr.; mais la Turquie ne s'est jamais acquittée exactement de ces payements. Des arriérés de plus de quatorze millions que la Compagnie du Chemin de Fer réclame encore aujourd'hui au Gouvernement Ottoman en ont été la conséquence.

Il nous semble que la situation difficile faite à la Bulgarie par l'héritage d'un failli devrait être prise en sérieuse considération dans cette circonstance. La Principauté, en effet, succède à une situation financièrement embarrassée qu'elle n'a pas créée.

Les prétentions de la Compagnie Anglaise, d'autre part, nous paraissent peu justifiées dans ce sens, que la Compagnie insiste auprès du Gouvernement Bulgare sur les obligations auxquelles la Porte n'a jamais été en mesure de satisfaire complètement, et auxquelles ce Gouvernement n'est pas en état de répondre

Un arrangement à l'amiable serait dans cet état de choses la voie toute indiquée pour sortir de la difficulté, et celle qui répondrait le mieux d'après nous aux intérêts bien entendus et mutuels des deux parties.

Nous ne manquons jamais de conseiller à la Bulgarie, dans cette circonstance comme dans toutes les autres, de remplir les engagements dans la mesure du possible, mais nous espérons en même temps que le Gouvernement Anglais pesera de son côté sur la partie adverse dans le sens d'un compromis modéré et raisonnable.

Lord Granville, en adoptant cette manière de voir, se trouverait en accord complet de vues avec nous et rendrait service, nous n'en doutons pas, aux intérêts Anglais eux-mêmes engagés dans cette question.

Veuillez bien, M. l'Ambassadeur, vous en expliquer avec le Principal Secrétaire d'État de Sa Majesté Britannique, conformément à ce qui précède, et agréer, &c.

(Signé) GIERS.

No. 36.

Earl Granville to Mr. Lascelles.

(No. 4. Commercial.)

Sir, *Foreign Office, January* 19, 1881.

I APPROVE your proceedings in the case of the Varna and Rustchuk Railway, as reported in your despatch No. 34, Commercial, of the 28th ultimo.

I am, &c.

(Signed) GRANVILLE.

No. 37.

Question asked in the House of Commons, January 27, 1881.

Sir John Lubbock,—To ask the Under-Secretary of State for Foreign Affairs whether it is true that the Bulgarian Government have now admitted their liability to the Varna Railway Company for overdue interest, but that the only offer that has been made is a payment of 80,000*l.* in full discharge of arrears of interest amounting to

over 280,000*l.*, and an annual payment of 40,000*l.* in lieu of the guarantee of 140,000*l.* per annum:

And, whether Her Majesty's Government have made, or will make, representation to the Bulgarian Government with the view of protecting the interests of English shareholders, and carrying out the stipulations of the Treaty of Berlin.

Answer.

The Bulgarian Government have urged that the obligation towards the Varna Railway Company laid upon Bulgaria by the Treaty of Berlin is heavier than she can bear, and they have made proposals to the Company for a settlement of their claims, the exact particulars of which have not been officially communicated to Her Majesty's Government, but are believed to be correctly stated in the question.

Her Majesty's Government understand that these proposals have been rejected by the Company, and Her Majesty's Representative at Sophia has been instructed to support the Company in their endeavours to obtain the settlement of their claims in accordance with the provisions of the Treaty of Berlin.

No. 38.

Mr. Lascelles to Earl Granville.—(Received January 29.)

(No. 1.)

(Telegraphic.) *Sophia, January* 28, 1881.

IN consequence of the refusal of the Varna-Rustchuk Railway Company to accept the decisions of the Bulgarian Government with regard to payment of interest, Bulgarian Government intend to address a Circular to the Powers setting forth their position with regard to this question.

In this Circular Bulgarian Government will assure [?] that the shares of the Company have never exceeded a quarter of their nominal value; that the line was constructed by Porte for political and strategical rather than for commercial purposes, and probably ask whether it is just that Bulgaria should bear the whole of the obligations which have been contracted in view of interests in which she has a very small share.

Bulgarian Government, being anxious to arrive at a solution of this question, and being obliged to measure their sacrifices by the financial resources of the country, upon which other obligations are also laid, consider that the offer made to the Company is fully in proportion to the small advantages which Bulgaria obtains from the line.

Thinking it probable that the Company would appeal to Her Majesty's Government, Bulgarian Government have decided to place before the Signatory Powers of the Treaty of Berlin the reasons which induced them to make the offer.

No. 39.

Mr. Lascelles to Earl Granville.—(Received by telegraph, January 29.)

(No. 3. Commercial. Ext. 1.)

My Lord, *Sophia, January* 28, 1881.

M. STOITCHOFF has informed me that the Bulgarian Government, in consequence of the refusal of the Varna-Rustchuk Railway Company to accept the terms offered to them with regard to the payment of interest, have decided to address a Circular to the foreign Agents at Sophia setting forth the position of Bulgaria with regard to this question.

This Circular will call attention to the fact that the shares of the Company have not at any time exceeded a quarter of their nominal value, and that the line had been constructed by the Porte for strategical and political and not for commercial purposes. The Bulgarian Government therefore ask whether it is just that the Principality should be called upon to bear the whole of the obligations which had been contracted in the interests of Turkey, and in which Bulgaria had a very small share.

The Bulgarian Government are in earnest in their desire to arrive at a solution of this question, but they are compelled to measure their sacrifices by the financial resources of the country. They have to take into consideration the other obligations laid upon the Principality, and they are of opinion that the offer which they made to the Company is fully in proportion to the slight advantages which the line confers upon the country.

The Bulgarian Government, thinking it probable that the Company would appeal to Her Majesty's Government for assistance, have thought it desirable to place the reasons which induced them to make their offer to the Company before the Signatory Powers of the Treaty of Berlin.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 40.

Mr. St. John to Earl Granville.—(Received February 4.)

(No. 4. Commercial.)
My Lord, *Constantinople, January 22, 1881.*

WITH reference to Sir H. Layard's despatch to Lord Salisbury No. 44, Commercial, of the 12th April last, I have the honour to inclose copy of the reply I have received from the Porte on the subject of the Varna-Rustchuk Railway.

The Porte repeats that by the terms of Article X of the Treaty of Berlin the settlement of the previous accounts of this line is reserved for an understanding between the Porte, the Government of the Principality of Bulgaria, and the Company itself, and adds that there is no question in the Treaty of the appointment of a Commission to examine the claims of the Company.

In the opinion of the Porte, therefore, direct communications should be entered into between the three parties with a view to a speedy settlement of the question.

I have communicated the substance of this note to Mr. Timoni, the Company's agent.

I have, &c.
(Signed) F. R. ST. JOHN.

Inclosure in No. 40.

Note Verbale.

LE Ministère des Affaires Étrangères a reçu en son temps la note verbale que l'Ambassade de Sa Majesté Britannique a bien voulu lui adresser le 15 Avril dernier, pour demander l'institution à Constantinople d'une Commission spéciale chargée d'examiner les réclamations de la Compagnie du Chemin de Fer de Varna à Roustchouk.

Ainsi que le Ministère Impérial avait eu l'honneur de le constater dans sa communication du 7 Juillet, 1879, le réglement des comptes antérieurs relatifs à cette ligne est réservé, aux termes de l'Article X du Traité de Berlin, à une entente entre la Sublime Porte, le Gouvernement de la Principauté de Bulgarie et l'Administration de la Compagnie. L'institution d'une Commission n'est nullement prévue par le même acte international. Dans la pensée de la Sublime Porte le Gouvernement Impérial, la Principauté de Bulgarie, et la Compagnie du Chemin de Fer de Varna à Roustchouk, doivent se mettre en communication directe pour arriver à une prompte solution.

Le Département des Travaux Publics a été avisé de ce qui précède.

Le Ministère des Affaires Étrangères prie l'Ambassade de Sa Majesté Britannique de vouloir bien donner à la Compagnie susmentionnée des instructions en conséquence.

Sublime Porte, le 9 Janvier, 1881.

No. 41.

Mr. Lascelles to Earl Granville.—(Received February 17.)

(No. 4. Commercial.)
My Lord, *Sophia, January 28,* 1881.

WITH reference to my despatch No. 34, Commercial, of the 28th ultimo, I have the honour to inclose a copy of a note which I have received from M. Stoïtchoff, informing me that the Varna-Rustchuk Railway Company had refused the offer made to them by the Bulgarian Government, and maintained their right under the Treaty of Berlin.

The note concludes with the expression of regret that the proposals of the Bulgarian Government had been refused.

In a conversation which I have had with M. Stoïtchoff, his Excellency told me that he had hoped that if the Company found the terms proposed unacceptable, they would have made some counter-proposals. It was simply impossible for the Principality to pay the whole amount of 120,000*l.* a-year; and as the Company had insisted upon the maintenance of their rights under the Treaty of Berlin, the Bulgarian Government had decided to address a Circular to the Representatives of the Great Powers at Sophia, setting forth the position of the Principality with regard to this question.

M. Stoïtchoff has communicated to me the substance of this Circular, of which I had the honour to forward a précis to your Lordship by my telegram No. 1 of this day's date. His Excellency has informed me that the Circular will be sent to the Agents at Sophia in the course of two or three days.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 41.

M. Stoïtchoff to Mr. Lascelles.

M. l'Agent, *Sophia, le 26 Janvier,* 1881.

J'AI eu l'honneur de vous communiquer en son temps l'offre faite à Mr. George Barkley, Sous-Commissaire du Chemin de Fer Roustchouk-Varna pour lui exprimer le désir du Gouvernement Princier d'arriver le plus tôt possible à une entente avec la Compagnie Roustchouk-Varna pour les intérêts qui lui sont dus. Dans ce but le Gouvernement Princier offrait de régler les annuités d'intérêts à raison de 2 pour cent pour toute la durée de la concession sur le capital dépensé, soit: 50,000,000 fr., et de payer les annuités échues depuis la rectification du Traité de Berlin au taux sous-indiqué immédiatement après la signature de l'arrangement.

Mr. George Barkley par une dépêche télégraphique du 5 Janvier, refuse notre offre, disant: "Council maintains Company rights under Berlin Treaty," et par sa lettre du 6 Janvier me confirme ce refus en m'informant qu'ayant soumis au Conseil d'Administration Roustchouk-Varna l'offre du Gouvernement Princier, le Conseil a trouvé que les termes offerts ne sont pas d'une nature à être acceptés.

Nous regrettons bien vivement, M. l'Agent, que le Conseil d'Administration de la Compagnie Roustchouk-Varna ait refusé nos propositions, et portant ces faits à votre connaissance, je saisis, &c.

(Signé) N. S. STOÏTCHOFF.

No. 42.

Mr. Lascelles to Earl Granville.—(Received February 17.)

(No. 6. Commercial.)
My Lord, *Sophia, February 1,* 1881.

I HAVE the honour to inclose a copy of a note which has been addressed by the Bulgarian Minister for Foreign Affairs to the Representatives of the Great Powers at Sophia, setting forth the position of Bulgaria with regard to the payment of interest to the Varna-Rustchuk Railway Company under Article X of the Treaty of Berlin.

I have already had the honour, by my telegram No. 1 and my despatch No. 4 of the 28th ultimo, to forward to your Lordship a summary of M. Stoïtchoff's Circular.

I have, &c.
(Signed) F. C. LASCELLES.

Inclosure in No. 42.

M. Stoïtchoff to Mr. Lascelles.

Sophia, le 1er Février, 1881.

M. l'Agent,

JE vous prie de vouloir bien porter à la connaissance de votre Gouvernement les explications suivantes relatives à l'exécution de l'Article X, paragraphe 1er, du Traité de Berlin.

Par un Acte en date du 23 Avril, 1863, le Gouvernement Ottoman s'est obligé envers la Compagnie du Chemin de Fer de Roustchouk-Varna, à lui garantir pendant la durée de la concession les intérêts de la somme dépensée pour la construction, somme qui ne devait pas excéder 50,000,000 fr. Ces intérêts ont été fixés annuellement ainsi qu'il suit :—

Pendant la première période de trente-trois ans, 3,500,000 fr.
Pendant la deuxième période de trente-trois ans, 3,000,000 fr.
Pendant la troisième période de trente-trois ans, 2,500,000 fr.

Le Chemin de Fer de Roustchouk-Varna a été livré à l'exploitation en 1867. Depuis cette époque, ses actions, émises à 20*l.*, n'ont jamais pu atteindre un cours égal au quart de leur valeur nominale. Quelquefois même elles sont tombées au 7 pour cent du prix d'émission. Les cours de ces valeurs sur les cotes de Bourses Européennes prouvent d'une manière évidente le peu de confiance qu'on avait dans cette construction comme affaire.

Il paraît inutile de démontrer que la construction de cette ligne ayant été inspirée en premier lieu par des considérations politiques et militaires, ne répondait que faiblement aux besoins commerciaux, il est certain que si cette ligne n'existait pas aujourd'hui, le Gouvernement Bulgare ne pourrait raisonnablement songer à son exécution qu'après avoir donné au pays d'autres communications d'un ordre plus urgent et plus utile.

Que le Gouvernement Ottoman, envisageant l'importance de cette voie ferrée au point de vue de ses intérêts politiques et militaires, ait consenti à des sacrifices proportionnés à l'utilité de la ligne, nous le comprenons ; mais est-il équitable que la Bulgarie doive assumer en entier des obligations contractées en vue d'intérêts qui ne sont pas les siens, ou du moins dans lesquels elle n'a qu'une faible part ?

La Compagnie de Roustchouk-Varna semble avoir compris cette situation en se montrant disposée à une transaction. Le Gouvernement Bulgare désirant vivement arriver à une solution de cette affaire, mais condamné à mesurer ses sacrifices à ses ressources financières, qui, jusqu'ici, doivent faire face à d'autres obligations imposées à la Bulgarie, et lesquelles ne sont pas fixées jusqu'à présent, a répondu aux ouvertures faites par la Compagnie en lui offrant de lui garantir annuellement 1,000,000 fr., soit le 2 pour cent du capital stipulé, et de lui payer immédiatement sur le même pied les annuités échues.

Si l'on veut bien tenir compte de la situation financière de la Compagnie Roustchouk-Varna, si l'on veut bien se rappeler aussi que les intérêts de la Bulgarie ont tenu fort peu de place dans les considérations, qui ont decidé la Sublime Porte à entreprendre et à hâter la construction de ce chemin de fer, on reconnaîtra que l'offre du Gouvernement Bulgare n'est pas au-dessous des faibles avantages qu'il en retire.

Cette offre n'a pas été acceptée par la Compagnie, qui se propose, paraît-il, de recourir à l'action de son Gouvernement. En présence des démarches qu'elle va tenter, le Gouvernement Princier a pensé qu'il était à propos de soumettre à l'appréciation des Puissances Signataires du Traité de Berlin les raisons qui ont dicté ses propositions d'arrangement.

Agréez, &c.
(Signé) N. S. STOITCHOFF.

No. 43.

Mr. Lascelles to Earl Granville.—(Received March 7.)

(No. 11. Commercial.)

Sophia, February 24, 1881.

My Lord,

I HAVE the honour to acknowledge the receipt, on the 22nd instant, of your Lordship's despatch No. 2, Commercial, of the 15th ultimo, inclosing a copy of a letter from the Varna-Rustchuk Railway Company, and instructing me to maintain a firm attitude with regard to the necessity of their claims being settled in accordance with the provisions of the Treaty of Berlin.

I have told M. Stoïloff of the nature of the instructions which your Lordship has given me, but I have thought it advisable not to address a note to the Bulgarian Government on the subject until I shall have received your Lordship's instructions as to the answer which I am to return to M. Stoïtchoff's note of the 1st instant, copy of which was inclosed in my despatch No. 6, Commercial, of the same date.

M. Stoïloff informed me that Mr. Barkley, the representative of the Varna-Rustchuk Railway Company had gone to Vienna in order to confer with M. Stoïtchoff on the subject of the Company's claims.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 44.

Messrs. Taylor and Barkley to Earl Granville.—(Received March 16.)

Varna Railway Company, Offices, 56, New Broad Street, London, March 16, 1881.

My Lord,

REFERRING to the interview which we had with Sir C. Dilke on the subject of the Varna Railway Company's claims under Article X of the Berlin Treaty, and to the fact that the Bulgarian Government has made an appeal to the Signatory Powers of that Treaty in reference to this matter, we have the honour to state to your Lordship that the Council of Administration of the Varna Company is prepared to submit the questions in dispute between the Company and the Bulgarian Government to the decision of the Ambassadors of the Signatory Powers at Constantinople, and to abide up to the full extent of their powers by the decision which the Ambassadors may by a majority of votes arrive at.

The points in dispute have already been virtually narrowed by the action of Her Britannic Majesty's Government to the simple questions :—

1. Whether the Bulgarian Government can or cannot pay the amount of the arrears of guarantee (about 270,000*l.*) accrued due since the date of the ratification of the Berlin Treaty up to the 30th June, 1880.

2. Whether the Bulgarian Government can or cannot pay in the future the amount of the guarantee falling due annually, and which guarantee, under present circumstances, amounts to 140,000*l.* a-year.

The Bulgarian Government, while admitting to Her Britannic Majesty's Government in its official despatches the debt and its obligation to satisfy it, contends that, from want of means, it is unable to pay the accrued arrears in full, or to make provision for discharging in full the annual guarantee.

The Company, on the other hand, contends that the Bulgarian Government, without imposing unreasonable burdens on the Principality, is well able to fulfil its Treaty obligations without any reduction or modification whatsoever.

This being the state of the case, the questions to be referred to the Ambassadors are :—

1. To determine whether the Bulgarian Government is or is not in a position to pay in full the arrears of guarantee at once, and also to make provision for the punctual discharge in the future of its annual guarantee.

2. In the event of the Ambassadors deciding that the Bulgarian Government is not at present able to pay in full the amount already accrued due, or to make provision for the punctual discharge in the future of its annual guarantee, to determine what latitude should be allowed to the Government in respect of an extension of time for the discharge of its liabilities, and also to determine the conditions which should attach to such extension of time, and are incidental thereto.

Your Lordship will observe that the foregoing terms of reference, while preserving the rights of the Company under the Berlin Treaty, are wide and unreserved; they are, moreover, of a nature which we believe will be acceptable to the Bulgarian Government, which has already shown a disposition to allow a settlement being come to in the manner indicated.

It is desirable, however, that your Lordship should be informed that the last official position taken up by the Bulgarian Government *vis-à-vis* the Company is that of admitting in principle the claims and obligations imposed by the Berlin Treaty, and at the same time declining to satisfy them in full, on the ground of their being contrary to equity, and their bearing an exaggerated relation to the value in the stock markets of the Company's bonds and shares.

The irrevelant nature of these pleas render it unnecessary for us to do more than call your Lordship's attention to the fact that, besides pleading poverty, these additional reasons for non-payment in full have been put on record by the Government, and may be again produced before the Signatory Powers.

It is not thought by the Council of Administration advisable to invite any reference to the Ambassadors of the question relating to the arrears of guarantee anterior to the ratification of the Berlin Treaty.

Such an extension of the terms of reference would involve the Sublime Porte in the matter, and would put in jeopardy the result aimed at—a settlement with Bulgaria.

These anterior guarantees are moreover held by Mr. Goschen to form, with the exception of one year's, a portion of the Turkish floating debt, and consequently not to possess any rights apart from those which attach to that category of claims.

In conclusion, it may be useful to state that we learn from Vienna that the views of the Bulgarian and Austrian Governments as to the conditions which the latter Power contends attach to the construction of the railway through Bulgaria between the Servian and Roumelian frontiers differ, and that Bulgaria, being most anxious that Her Brittanic Majesty's Government should coincide in her opinion on this subject, is consequently more than ordinarily disposed to defer to any representations which Her Britannic Majesty's Government may make in respect of the Varna Company.

We have, &c.
(Signed) G. CAVENDISH TAYLOR, *President.*
JOHN TREVOR BARKLEY.

No. 45.

Sir J. Paunceforte to Mr. Taylor.

Sir, *Foreign Office, March* 21, 1881.

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 16th instant, proposing that the questions in dispute between the Varna-Rustchuk Railway Company and the Bulgarian Government should be submitted to the decision of the Ambassadors of the Signatory Powers at Constantinople; and to acquaint you, in reply, that Her Majesty's Agent and Consul-General at Sophia has been instructed to ascertain whether the Bulgarian Government are prepared to accede to that proposal.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 46.

Earl Granville to Mr. Lascelles.

(No. 12. Commercial.)

Sir, *Foreign Office, March* 22, 1881.

WITH reference to your despatch No. 11, Commercial, of the 24th ultimo, in which you allude to the answer you should return to M. Stoïtchoff's note of the 1st ultimo, copy of which was inclosed in your despatch No. 6, Commercial, of the same date, I have to request you to inform M. Stoïtchoff that, in the opinion of Her Majesty's Government, until Article X of the Treaty of Berlin is modified by consent of the Signatory Powers, Bulgaria remains bound by its conditions; and that, until the Parties interested propose such a modification, Her Majesty's Government do

not consider themselves called upon to take any action with a view to a settlement, upon reduced terms, of the claims of the Company.

A letter, however, of which I inclose a copy, has been received from the President of the Varna Railway, suggesting a reference of their claim to the Representatives of the Powers at Constantinople for their decision;* and I have to instruct you to ascertain whether the Bulgarian Government are disposed to accept the solution therein proposed, as in that case Her Majesty's Government will ask the Signatory Powers to authorize their Representatives at Constantinople to proceed accordingly.

I am, &c.
(Signed) GRANVILLE.

No. 47.

Mr. Lascelles to Earl Granville.—(Received May 2.)

(No. 19. Commercial.)

My Lord, *Sophia, April* 20, 1881.

YOUR Lordship's despatch No. 12, Commercial, of the 22nd ultimo, only reached me on the 15th instant. I at once communicated to M. Ludskanoff, who was at the time Acting Minister for Foreign Affairs, the opinion of Her Majesty's Government with regard to the claims of the Varna-Rustchuk Railway Company, as well as the proposal made by the Company to refer their claims to the Representatives of the Powers at Constantinople for their decision. M. Ludskanoff said that General Ehrnrooth would be back in Sophia in the course of two or three days, and he begged me to wait until his Excellency's return before making an official communication on the subject. He would, in the meantime, inform M. Karaveloff of the views of Her Majesty's Government, in order that the Council of Ministers might be prepared to discuss the question.

General Ehrnrooth returned the day before yesterday, but it was only this morning that I had an opportunity of speaking to his Excellency. I told him that I had already prepared a note, in which I explained the position of Her Majesty's Government with reference to this question, and inclosed the proposals of the Company with regard to the reference of their claims to the Ambassadors.

His Excellency said that he would not be able to give me an official answer until the return of the Prince, who was expected next week. He could, however, tell me at once that he thought there would be no doubt that the Bulgarian Government would agree to the question being submitted to the Ambassadors of the Great Powers at Constantinople. He could not conceive a fitter Tribunal to which the question could be submitted.

I pointed out to his Excellency that what the Company proposed was that the Ambassadors should decide whether Bulgaria is or is not in a position to pay the whole amount due to the Company on account of arrears of guarantee, and also to make provision for its punctual discharge in the future of its annual guarantee; and that, should the Ambassadors decide that Bulgaria is not at present able to pay the whole amount, they should determine what latitude in respect of an extension of time should be allowed to the Bulgarian Government for the payment of its obligations.

General Ehrnrooth replied that he could not agree to such a reference. He had always regretted that the Bulgarian Government had pleaded want of means as the reason for not fulfilling their obligations. Such a plea was, in fact, a declaration of bankruptcy, which would be most injurious to the State, and which he did not believe was warranted by fact. In his opinion, the state of the case was this: The Treaty of Berlin had imposed certain obligations upon Bulgaria without specifying what the amount of these obligations was. Bulgaria had been substituted for the Porte with regard to her obligations towards the Varna-Rustchuk Railway, and as regards the engagements taken by the Porte towards Austria for the construction of railways through Bulgarian territory. She was also to bear a portion of the Turkish debt which had not yet been settled. At the time of the signature of the Treaty of Berlin, the bondholders and shareholders of the Varna-Rustchuk Railway were in the same position as the other creditors of Turkey, and it could not have been intended by the Powers that they were to have their claims paid in full at the expense of Bulgaria, while all the other creditors were called upon to make great sacrifices, any more than it could have been intended that the Turkish creditors who were to be paid out of the

* No. 44.

share which Bulgaria had to bear of the general debt should be paid in full. The question, therefore, was: What is the amount of the obligations laid on Bulgaria by the Treaty of Berlin? And that was a question which the Bulgarian Government would gladly leave to the decision of the Ambassadors at Constantinople.

I observed that the question which his Excellency wished to submit to the Ambassadors was a very much wider one than that which was proposed by the Varna-Rustchuk Company, and that your Lordship had instructed me to ascertain whether the Bulgarian Government were disposed to accept the solution proposed by the Company. His Excellency replied that he would carefully examine the proposals of the Company, and give me an answer as soon as possible after the Prince's return.

I have the honour to inclose a copy of the note which I have addressed to his Excellency, inclosing a copy of the letter addressed to your Lordship by the President of the Varna-Rustchuk Railway Company of the 16th ultimo, with the exception of the last paragraph.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 47.

Mr. Lascelles to General Ehrnrooth.

M. le Ministre, *Sophia, le 19 Avril*, 1881.

J'AI n'ai pas manqué de transmettre au Principal Secrétaire d'État de Sa Majesté Britannique pour les Affaires Étrangères copie de la note que M. Stoïtchoff a bien voulu m'adresser en date du 1er Février, au sujet des obligations du Gouvernement Princier envers la Compagnie du Chemin de Fer Varna-Roustchouk, et je suis chargé par Lord Granville d'informer votre Excellence que dans l'opinion du Gouvernement de Sa Majesté, la Bulgarie est liée par les conditions de l'Article X du Traité de Berlin, jusqu'à ce que cet Article soit modifié avec le consentement des Puissances Signataires, et jusqu'à ce qu'une telle modification ne soit proposée par les parties intéressées le Gouvernement de sa Majesté ne se considère pas appelé à prendre aucune action pour arriver à une solution de la question basée sur une réduction des demandes de la Compagnie. Sa Seigneurie m'a envoyé en même temps une copie d'une lettre du Président de la Compagnie, suggérant que la question soit soumise aux Représentants des Puissances Signataires à Constantinople pour leur décision.

J'ai l'honneur de transmettre ci-joint à votre Excellence une copie de cette lettre, et je suis chargé par Lord Granville de prier votre Excellence de vouloir bien m'informer si le Gouvernement Princier est disposé à accepter la solution proposée par le Conseil d'Administration du Chemin de Fer. Dans le cas affirmatif le Gouvernement de Sa Majesté demandera aux Puissances Signataires de vouloir bien donner l'autorisation nécessaire à leurs Représentants à Constantinople.

Je saisis, &c.
(Signé) FRANK C. LASCELLES.

No. 48.

Earl Granville to Mr. Lascelles.

(No. 18. Commercial.)

Sir, *Foreign Office, May 6*, 1881.

I HAVE to state to you that I approve your action in the matter of referring the claims of the Varna and Rustchuk Railway Company to the Ambassadors of the Great Powers at Constantinople, as reported in your despatch No. 19, Commercial, of the 20th April.

I am, &c.
(Signed) GRANVILLE.

No. 49.

Mr. Lascelles to Earl Granville.—(Received May 15.)

(Telegraphic.) *Sophia, May 14*, 1881.

I HAVE received a note from Bulgarian Government accepting the proposal to submit claims of Varna-Rustchuk Railway Company to Ambassadors at Constantinople upon basis indicated in my despatch No. 19, Commercial, of the 20th ultimo.

No. 50.

Sir Charles W. Dilke to Mr. Taylor.

Sir, *Foreign Office, May 17*, 1881.

WITH reference to my letter of the 21st March, I am directed by Earl Granville to inform you that Mr. Lascelles, Her Majesty's Representative at Sophia, immediately on receiving his Lordship's instructions, addressed a note to the Bulgarian Government, and saw M. Ludskanoff, the Acting Bulgarian Minister for Foreign Affairs, with regard to the claims of the Varna-Rustchuk Railway Company, as well as the proposal made by you to refer their claims to the Representatives of the Powers at Constantinople. Subsequently Mr. Lascelles saw the Minister General Ehrnrooth on his return to Sophia, who informed him that he could not give an official answer until the return of the Prince. His Excellency stated that while he felt convinced that the Bulgarian Government would not consent to refer to the Representatives the question whether Bulgaria was or was not in a position to pay the whole amount due to the Company on account of arrears of guarantee; and whether they could or could not pay in future the amount of the annual guarantee, he thought his Government would have no objection to leaving to the decision of the Ambassadors at Constantinople the question what was the amount of the obligations laid on Bulgaria, as regarded the railway, by the Treaty of Berlin.

Lord Granville has now received a telegram from Mr. Lascelles in which he states that he has received a communication from the Bulgarian Minister informing him that the Bulgarian Government accept the proposal to submit the claims of the Company to the Representatives of the Powers at Constantinople upon the basis indicated by him in his conversation with Mr. Lascelles.

I am, &c.
(Signed) CHARLES W. DILKE.

No. 51.

Mr. Lascelles to Earl Granville.—(Received May 23.)

(No. 21. Commercial.)

My Lord, *Sophia, May 14*, 1881.

WITH reference to my despatch No. 19, Commercial, of the 20th ultimo, I have the honour to inclose a copy of a note which I have received from General Ehrnrooth, stating that the Bulgarian Government accept the proposal to submit the question of the claims of the Varna-Rustchuk Railway Company to the Ambassadors at Constantinople, who will doubtless appreciate in a spirit of justice and equity the reasonableness of the proposals and observations contained in M. Stoïtchoff's note to me of the 1st February and in his letter to Mr. Barkley of the 27th December last.

M. Stoïtchoff's note to me was inclosed in my despatch No. 6, Commercial, of the 1st February, and the proposals he made to Mr. Barkley were reported in my despatch No. 34, Commercial, of the 28th December last.

General Ehrnrooth goes on to say that the Bulgarian Government, in confirming the contents of those two letters, persist in thinking that the basis for fixing the amount of the indemnity to be paid to the Company should not be the accidental circumstance of the possibility of Bulgaria paying the amount, but the indisputable fact that at the time of the substitution of Bulgaria for the Porte the nominal value of the shares had been greatly depreciated, as was the case with all Turkish securities, which were issued of a nominal price which it was well known they would never reach.

I had the honour to inform your Lordship this morning by my telegram No. 9 that the Bulgarian Government accepted the proposal to submit the question, upon the basis

indicated in my despatch No. 19, Commercial, of the 20th ultimo, to the Representatives of the Great Powers at Constantinople.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 51.

General Ehrnrooth to Mr. Lascelles.

Sophia, le 13 Mai, 1881.

M. l'Agent,

VOUS avez bien voulu m'écrire le 19 Avril au sujet des obligations du Gouvernement Princier envers la Compagnie de Chemin de Fer Roustchouk-Varna, et vous me transmettiez une copie de la lettre écrite par le Président de cette Compagnie à Lord Granville, suggérant que la question traitée par la lettre de M. Stoïtchoff en date du 1er Février fût soumise aux Représentants des Puissances à Constantinople pour leur décision.

J'ai l'honneur de vous informer, M. l'Agent, que le Gouvernement Princier accepte parfaitement la proposition de soumettre la question pour sa solution à la décision des Ambassadeurs à Constantinople, qui, dans un esprit de justice et d'équité, apprécieront sans doute le bien-fondé des propositions et observations contenues dans la lettre de M. Stoïtchoff en date du 1er Février et dans celle du 27 Décembre, 1880, à Mr. Barkley, représentant de la Compagnie.

Le Gouvernement Princier confirmant le contenu de ces deux lettres persiste à penser que la fixation de l'indemnité à accorder à la Compagnie ne doit pas prendre pour base la circonstance fortuite d'une plus ou moins grande possibilité pour la Bulgarie de payer, mais s'appuyer sur ce fait indiscutable qu'au moment de la substitution de la Principauté à la Porte Ottomane la valeur nominale des titres de la Compagnie était très fortement dépréciée, comme toutes les valeurs Turques émises à des cours qu'on savait qu'elles ne pourraient jamais atteindre.

Agréez, &c,
(Signé) EHRNROOTH.

No. 52.

Messrs. Taylor and Barkley to Earl Granville.—(Received May 24.)

Varna Railway Company, Offices, 56, New Broad Street, London, May 23, 1881.

My Lord,

WE have the honour to acknowledge the receipt of your Lordship's letter of the 17th instant, communicating the tenour of a conversation between Mr. Lascelles, Her Britannic Majesty's Diplomatic Agent at Sophia, and the Bulgarian Minister for Foreign Affairs on the subject of the claims of this Company on the Bulgarian Government, and further containing an offer on the part of the Bulgarian Government to submit those claims to the decision of the Signatory Powers of the Berlin Treaty—represented by their several Ambassadors at Constantinople—on the basis of the said conversation.

In reply, the Council of Administration beg to state that they accept the proposed reference, subject to the following provisions, which necessarily arise out of the present vague and indefinite nature of General Ehrnrooth's communication:—

1. That the terms of reference to the Powers be definitely stated in writing by the Bulgarian Government, and officially communicated to Her Britannic Majesty's Diplomatic Agent at Sophia.

2. That these terms shall contain nothing which may be construed or understood to be derogatory of the rights and position secured to the Company by Article X of the Berlin Treaty.

3. That the Bulgarian Government officially agree to abide by, and give immediate effect to, the decision or award of the Ambassadors.

We trust that your Lordship will add to the obligation which the Company already owes to the Department over which your Lordship presides by instructing Mr. Lascelles in the sense of this letter, and that your Lordship will further be pleased to bear in mind that although the Council of Administration, in its earnest desire to arrive at a settlement of this important question, has not thought it necessary at this stage to discuss

or protest against the position assumed by General Ehrnrooth in his conversation with Mr. Lascelles, yet that it is fully aware of and comprehends the entire change of attitude adopted by the Bulgarian Government towards the Company in that conversation.

We have, &c.
(Signed) G. CAVENDISH TAYLOR, *Chairman.*
JOHN TREVOR BARKLEY, *Commissioner.*

No. 53.

Earl Granville to Mr. Lascelles.

(No. 23. Commercial.)

Foreign Office, June 6, 1881.

Sir,

ON the receipt of your telegram of the 14th ultimo, I caused a communication to be addressed to the Varna Railway Company, informing them of the terms on which the Bulgarian Government expressed themselves as willing to submit the claims of the Company to the arbitration of the Ambassadors of the Powers at Constantinople, and I now inclose a copy of the reply which I have received from the Company;* and I have to instruct you to inform the Bulgarian Government of the conditions on which the Company are ready to proceed with the reference in the modified form agreed to by the Bulgarian Government.

I am, &c.
(Signed) GRANVILLE.

No. 54.

Sir Charles W. Dilke to Mr. Taylor.

Foreign Office, June 6, 1881.

Sir,

I HAVE laid before Earl Granville your letter of the 23rd ultimo; and I am to state to you, in reply, that a copy of your letter will be forwarded to Mr. Lascelles, with instructions to inform the Bulgarian Government of the conditions on which your Company are ready to proceed with the reference to the arbitration of the Ambassadors at Constantinople of the claims of the Company.

I am, however, to point out to you that the proposal to submit the matter to the arbitration of the Ambassadors came from your Company, and not from the Bulgarian Government, as would appear to be implied in your letter.

I am, &c.
(Signed) CHARLES W. DILKE.

No. 55.

Mr. Lascelles to Earl Granville.—(Received July 11.)

(No. 25. Commercial.)

Sophia, June 28, 1881.

My Lord,

WITH reference to your Lordship's despatch No. 23, Commercial, of the 6th instant, I have the honour to transmit a copy of a note which I have addressed to General Ehrnrooth, inclosing a copy of the letter addressed to your Lordship by the Rustchuk-Varna Railway Company, stating the conditions on which they consent to the question of their claims against the Bulgarian Government being submitted to the Ambassadors of the Great Powers at Constantinople.

In a conversation which I had with his Excellency this morning I read this letter to him. He seemed to think that the conditions contained in it were perfectly acceptable, and requested me to furnish him with a copy of it.

I have, &c.
(Signed) FRANK C. LASCELLES.

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* No. 52.

Inclosure in No. 55.

Mr. Lascelles to General Ehrnrooth.

M. le Ministre, *Sophia, le 28 Juin*, 1881.

JE n'ai pas manqué de transmettre au Principal Secrétaire d'État de Sa Majesté Britannique pour les Affaires Étrangères une copie de la note que votre Excellence m'a fait l'honneur de m'adresser en date du 1/5 Mai, pour m'informer que le Gouvernement Princier accepte la proposition de soumettre la question des obligations du Gouvernement Princier envers la Compagnie du Chemin de Fer de Roustchouk-Varna aux Représentants des Puissances à Constantinople pour leur décision, et j'ai aujourd'hui l'honneur, d'après les instructions que j'ai reçues de Lord Granville, de transmettre à votre Excellence une copie d'une lettre adressée à sa Seigneurie par le Président du Conseil d'Administration de la dite Compagnie, précisant les conditions sous lesquelles la Compagnie consent que la question soit soumise à la décision des Ambassadeurs.

Veuillez, &c.

(Signé) FRANK C. LASCELLES.

No. 56.

The Earl of Dufferin to Earl Granville.—(*Received July* 31.)

(No. 501.)

My Lord, *Therapia, July* 21, 1881.

I HAVE the honour to state that, in compliance with my instructions, Mr. Plunkett called on the 18th instant on the Prime Minister, Said Pasha, and represented to his Highness that the time had now come when Her Majesty's Embassy could no longer defer pressing on the attention of the Porte the pecuniary claims of those British subjects the due consideration of whose interests had, perhaps of necessity, been postponed to the important political affairs which had lately engrossed the attention of the Ottoman Government; that Her Majesty's Embassy took fully into account the financial difficulties of the situation, but that, on the other hand, it must be remembered that the failure of the Porte to meet their engagements was proving ruinous to many of their creditors, and disastrous to all; and that it was impossible to believe that a way could not be found to give some satisfaction in the matter.

The claims to which Mr. Plunkett was instructed specially to refer are those of—

The Varna Railway Company.
Sir Peter Tait (two claims).
Messrs. Cuppa.
Messrs. Summa.
Mr. Matthew Dussi.
Mr. Odoni.
Mr. Pietro Tedeschi.
Mr. Callinico.

Mr. Plunkett pointed out that all these, with the exception of the Varna Railway Company, were on account of provisions, coals, munitions of war, &c., furnished to the Porte in its extreme need; that the transactions out of which they arose appeared to have been perfectly legitimate; that the prices charged were neither speculative nor extortionate; that the personal honour of the Ottoman Ministers who accepted the goods was concerned in securing payment for them; and that in some instances the claimants had actually obtained Decrees in the Turkish Courts of Law against the Departments, but that Judgment, in cases where the Government were defendants, had not been enforced.

Said Pasha assured Mr. Plunkett that he would see what could be done, but declared that it was impossible for the moment to effect much in the direction demanded; that allowance must be made for the state of the Turkish finances, and that some confidence should be shown in the desire of the Porte to come to a satisfactory settlement.

Mr. Plunkett replied that the Embassy had already given proofs of its sympathy with the Porte in its financial difficulties, by mitigating rather than exceeding the severity of the action which both Her Majesty's Government and public opinion in

England might require it to take; and that Her Majesty's Ambassador had, therefore, a right to expect that his representations should be seriously treated.

Said Pasha then requested Mr. Plunkett to furnish Assym Pasha with a list of the claims referred to, with whom his Highness promised to confer before discussing the matter with his colleagues.

Mr. Plunkett accordingly called upon the Minister for Foreign Affairs, and held the same language to his Excellency as he had already addressed to the Prime Minister. Assym Pasha, however, gave little hope of an early settlement, except, perhaps, as regards Sir Peter Tait's claim, which has been already almost arranged on the basis of a compromise.

In leaving with the Minister for Foreign Affairs a list of the eight claims specially referred to, Mr. Plunkett explained that they formed but a small part of those to which the attention of the Sublime Porte would eventually be called.

I have, &c.

(Signed) DUFFERIN.

No. 57.

M. Mavrogordato to Sir Charles W. Dilke.—(*Received August* 3.)

Sir, 5, *Fenchurch Street, London, August* 2, 1881.

I AM very much interested, with several friends, in the Varna Railway. We know that the Foreign Office exerted much pressure at Sophia to bring about a settlement of the Company's claim, but we do not know how the matter stands, and as we do not wish to give you the trouble of answering questions in Parliament, I would feel extremely obliged if you could unofficially throw some light on the present position of matters. In recent telegrams it has been more than once stated—

1. That the Bulgarian Government consented to refer the question to the Ambassadors at Constantinople; and

2. That the Ambassadors were to take the matter in hand forthwith.

We wish to know how much truth there is in either of these statements, and also whether the reference to the Ambassadors is an absolute one, and without any reservation.

In dealing with the claims of the Varna Railway Company, Article X of the Berlin Treaty is very distinct and precise, and it would appear that it scarcely requires any interpretation. The Varna Railway Company have a guarantee from the Turkish Government of 140,000*l.* net income. The claims of the railway were duly discharged by the Porte so long as it was solvent. The Berlin Treaty transferred this obligation upon the Bulgarian Government from the date thereof. There is no room here for any reservation as against the Varna Railway, which has no connection with the other obligations of the Porte to third parties for railways made or to be made in or out of Bulgaria.

I am, &c.

(Signed) E. A. MAVROGORDATO.

No. 58.

Messrs. Taylor and Barkley to Earl Granville.—(*Received August* 4.)

Varna Railway Company, Offices, 56, New Broad Street,

My Lord, *London, August* 3, 1881.

WE have the honour to ask your Lordship to inform us whether your Lordship has received any reply from the Bulgarian Government, through Mr. Lascelles, Her Britannic Majesty's Agent and Consul-General at Sophia, to the communication addressed by your Lordship to that Government on the subject of referring the claims of this Company under Article X of the Berlin Treaty to the decision of the Ambassadors at Constantinople.

The half-yearly meeting of the Company takes place during next month, and the Directors and shareholders are most anxious to know as soon as possible what decision the Bulgarian Government has come to.

We do not know whether it is permissible for us to ask so great a favour, but if, in

the event of no reply having been yet received, your Lordship could telegraph for information, you would confer a great favour on this Company, especially as the Company's Commissioner is about to proceed to the East.

We have, &c.
(Signed) G. C. TAYLOR, *Chairman.*
JOHN TREVOR BARKLEY.

No. 59.

Earl Granville to Mr. Lascelles.

(Commercial.)
(Telegraphic.) *Foreign Office, August 4, 1881, 5 P.M.*

YOUR No. 25 of the 28th June.

How does the matter stand? Press for official reply to your note of above date.

No. 60.

Mr. Lascelles to Earl Granville.—(Received August 6.)

(No. 27.)
(Telegraphic.) *Sophia, August 5, 1881.*

YOUR telegram of yesterday.

Have asked for reply to my note of the 28th June. Hope to receive it next week.

No. 61.

Sir J. Pauncefote to M. Mavrogordato.

Sir, *Foreign Office, August 6, 1881.*

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 2nd instant, and to inform you, in reply, that Her Majesty's Representative at Sophia, acting under instructions from this Office, submitted to the Bulgarian Government, on the 28th June, a proposal of the Directors of the Varna Railway Company for submitting the claims of the Company to the arbitration of the Ambassadors at Constantinople.

No answer has yet been received from the Bulgarian Government, and Mr. Lascelles has been instructed, by telegraph, to press for one.

As regards the nature of the reference to the Ambassadors, I am to observe that you will no doubt be able to procure the information you ask for from the Directors of the Company.

I am to add that Lord Granville has no information on the subject of the telegraphic reports referred to.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 62.

Sir Charles W. Dilke to Messrs. Taylor and Barkley.

Gentlemen, *Foreign Office, August 6, 1881.*

I AM directed by Earl Granville to inform you, in reply to your letter of the 3rd instant, that a copy of your letter of the 23rd May was, on the 28th June, communicated to the Bulgarian Government, and that, as no answer has yet been received, Mr. Lascelles has been instructed, by telegraph, to press for one.

I am, &c.
(Signed) CHARLES W. DILKE.

No. 63.

Mr. Lascelles to Earl Granville.—(Received August 22.)

(No. 27. Commercial.)
My Lord, *Sophia, August 5, 1881.*

ON the receipt this morning of your Lordship's telegram of yesterday, I called upon M. Stoïloff and requested him to furnish me with an official reply to the note which I had addressed to General Ehrnrooth on the 28th June, stating the conditions on which the Varna-Rustchuk Railway Company agree to submit their claims to the decision of the Ambassadors at Constantinople.

M. Stoïloff said that he would at once give his attention to this question, which was one of the greatest importance to the Bulgarian Government, and which they were sincerely anxious to settle. Since he had been in charge of the Ministry for Foreign Affairs his time had been so fully occupied that he had not yet made himself acquainted with the contents of my note of the 28th June. He would, however, bring the matter before the Prince and the Council of Ministers without delay, and he hoped to be able to give me a reply in the course of next week.

I told M. Stoïloff that before writing my note of the 28th June I had communicated to General Ehrnrooth the letter from the Varna-Rustchuk Railway Company to your Lordship, and that his Excellency was of opinion that the conditions submitted by the Company were acceptable.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 64.

The Earl of Dufferin to Earl Granville.—(Received August 29.)

(No. 725.)
My Lord, *Therapia, August 23, 1881.*

WITH reference to my previous despatches No. 676 of the 9th and No. 694 of the 16th instant, on the subject of certain British claims, I have the honour to inclose to your Lordship copy of a note which I have received from the Porte to the effect that the Prime Minister has given orders for the payment of the claims upon the list in question by means of delegations or havalés.

For convenience of reference, I again subjoin the names of the claimants, with the sums due to them, amounting to a total of about 280,000*l.*:—

Varna Railway Company, 140,000*l.*; Sir Peter Tait, £ T. 5,200; Sir Peter Tait, 235,000 piastres; Cuppa, Brothers, £ T. 90,000; John Summa, over £ T. 26,000; Matthew Dussi £ T. 27,000; Mr. Odoni, 15,000 silver medjidiés; Pietro Tedeschi, 250*l.*; Mr. Callinico, 28,000 piastres.

Yesterday I requested the foregoing gentlemen to meet me at the Embassy in Pera, and I communicated to them the terms of the Porte's note.

They all of them, though in different degrees, signified the disfavour with which they regarded havalés.

Mr. Timoni, the representative of the Varna Railway Company observed that though he did not like havalés, if they were issued on good provinces the proposed settlement might prove satisfactory.

Sir Peter Tait said that he had reason to hope that he was about to be paid in cash for his two smaller claims, but though well aware of the suspicious nature of havalés, he was not prepared to say that, in satisfaction of his larger claim, he would not accept them.

Mr. Cuppa, though objecting to the havalés, said that he would take them if accompanied, as had been promised by Mr. Goschen, by a letter from the Ambassador to the Consuls requiring them to assist him in realizing their amounts.

Mr. Summa was represented by his agent, who had received express orders to refuse havalés.

Mr. Dussi was also represented by an agent who had no authority to speak on his behalf.

Mr. Tedeschi expressed his willingness to accept the havalés if they were of a good sort.

Mr. Odoni had already written to me, indicating the havalés in which he would desire to be paid.

Mr. Callinico said that he had already been kept so long out of his money that he would be glad to accept the proposed havalés.

In discussing the matter, all the foregoing gentlemen said that they were well aware of the empty state of the Imperial Treasury, and that the Porte had been compelled the other day to raise a small loan of 200,000*l.* to pay its daily way; and many of them asked me my advice.

I told them that I entirely declined to take upon myself the responsibility of giving them any advice whatever; that I had done my very best for them, and was still prepared to make further representations in whatever sense they might suggest; but that they themselves must decide what course it was for their own interests to pursue.

After my interview with the claimants I repaired to the Porte, and informed the Prime Minister of the nature of my conversation with them, observing that the paper which the Porte had offered them seemed to be regarded with great suspicion by all, and had been absolutely refused by more than one, and that I hoped, when informing Her Majesty's Embassy of its intention immediately to proceed to the liquidation of these specified debts, the Porte had not been amusing me with the promise of an illusory settlement.

Said Pasha replied, with great earnestness and solemnity of manner, that the intended settlement would not be illusory; and that, if the havalés were not cashed in the provinces, they should be cashed in Constantinople.

I propose to acquaint the creditors with the renewed and personal assurance thus given to me by his Highness, and I will acquaint your Lordship with the nature of the further observations which they may address to me on this important subject.

I have, &c.

(Signed) DUFFERIN.

Inclosure in No. 64.

Note Verbale.

LE Ministère des Affaires Étrangères a l'honneur d'informer l'Ambassade de Sa Majesté Britannique que le Département des Finances vient de recevoir l'ordre de régler au moyen de délégations les créances des sujets Anglais indiquées sur une liste par elle remise.

Sublime Porte, le 18 *Août*, 1881.

No. 65.

Earl Granville to Mr. Lascelles.

(Commercial.)
(Telegraphic.) *Foreign Office, August* 31, 1881, 5·30 P.M.

PRESS for answer to your note of the 28th June respecting Varna Railway Company, and telegraph substance when received.

No. 66.

Mr. Lascelles to Earl Granville.—(Received September 3.)

(No. 29. Commercial.)
Sophia, August 24, 1881.

My Lord,

WITH reference to my despatch No. 27, Commercial, of the 5th instant, I have the honour to report that, having received no answer from the Bulgarian Government to my note of the 28th June last, I called upon M. Voulcovitch on Friday last, and reminded him that M. Stoïloff had promised me an answer, for which I was still waiting, with regard to the question of submitting the claims of the Varna-Rustchuk Railway Company to the Ambassadors at Constantinople.

M. Voulcovitch said that the question would be brought before the Council of Ministers at their next meeting. He was alive to the importance of arriving at an arrangement, and he was in favour of the question being submitted to the Ambassadors; but he thought that the third condition laid down by the Company in their letter to your Lordship of the 23rd May last—viz., that the Bulgarian Government should officially

agree to abide by, and give immediate effect to, the decision or award of the Ambassadors—indicated distrust of the Bulgarian Government, and was unnecessary, as it was evident that, if they accepted arbitration, they would naturally abide by the result.

I told his Excellency that I hoped no question would be raised on this point. It appeared to me that the Company would certainly insist upon this condition, and I could not see what objection there could be to the Bulgarian Government declaring themselves ready to give effect to the decisions which the Ambassadors might arrive at.

I subsequently called upon M. Stoïloff, who has been preparing a Report upon the subject to be laid before the Council of Ministers.

He told me that his Report was finished, and would be submitted to the Council without delay.

He was of opinion that an official note should be addressed to me by the Minister for Foreign Affairs, explaining exactly the position of the question, and that the reference to the Ambassadors should be accepted. He said that he presumed that the Bulgarian Government would have the power of sending Representatives to Constantinople to place the views of the Bulgarian Government before the Ambassadors. I replied that I did not suppose that the Representatives, either of the Bulgarian Government or of the Varna Railway Company, would take part in the deliberations; but that I presumed that the Ambassadors would require to be placed in possession of the views of both parties, and that this could best be done by the means of duly authorized Representatives.

I told M. Stoïloff that I sincerely hoped that no objection would be raised to the third condition proposed by the Company, as the fact of the Bulgarian Government refusing to agree to give effect to the decision of the Ambassadors would give rise to the suspicion that they did not intend to be bound by it. M. Stoïloff said that he agreed with me, and that he was of opinion that the Bulgarian Government should officially agree to abide by the decision of the Ambassadors. He hoped to be able to inform me, before the departure of the present messenger, how his Report had been received by the Council of Ministers.

As a proof that the Bulgarian Government are under the impression that the question will shortly be submitted to the Ambassadors, I may mention that M. Stoïtchoff and M. Harrower, the two Bulgarian Delegates at the Railway Conference at Vienna, have been requested to hold themselves in readiness to go to Constantinople as Representatives of the Bulgarian Government on this question.

I have, &c.

(Signed) FRANK C. LASCELLES.

No. 67.

Mr. Lascelles to Earl Granville.—(Received September 4.)

(No. 28.)
(Telegraphic.) *Sophia, September* 4, 1881.

YOUR telegram of 31st ultimo.

I received last night the answer to my note of the 20th June respecting Varna Railway. It reviews at length all the negotiations which have taken place, and states that the Bulgarian Government agree that the question should be submitted to the Ambassadors at Constantinople, on the understanding that the Bulgarian Government should be represented in order to explain and develop their position. They recognize the principle which obliges the interested parties to act in conformity with the decision of the Arbitrators, and they will faithfully execute their obligations under Article X of the Treaty of Berlin, but they can only accept a discussion upon the rights of the Company in so far as those rights are based upon real value of the shares ("titres") of the Company at the time of the substitution of Bulgaria for the Porte.

No. 68.

The Earl of Dufferin to Earl Granville.—(Received September 6.)

(No. 732.)
Therapia, August 25, 1881.

My Lord,

WITH reference to previous correspondence, I think it well to inclose, for your information, an independent Memorandum, which Sir Alfred Sandison made at the time,

of the Prime Minister's undertaking to cash at Constantinople such of the havalés offered to the British claimants as could not be cashed in the provinces.

When I wrote my despatch No. 725 of the 23rd instant, recounting my conversation with Said Pasha upon this subject, I had not received Sir Alfred Sandison's Report.

The identity of our two accounts of what fell from his Highness sufficiently vouches the accuracy of both.

I have also the honour to inclose your Lordship copy of a letter I have written to each of the creditors.

I have, &c.
(Signed) DUFFERIN.

Inclosure 1 in No. 68.

Memorandum.

I BEG to place on record the statement made by the Prime Minister to your Excellency on Monday last, in reply to your observations respecting the discredit the Government havalés had fallen into in the country.

After describing these to be as good as cheques or bills of exchange drawn by the Government, his Highness declared, in the most unequivocal terms, that in case the havalés to be delivered to the British creditors were not paid by the provincial authorities they shall be duly honoured at Constantinople.

(Signed) A. SANDISON.

Therapia, August 24, 1881.

Inclosure 2 in No. 68.

The Earl of Dufferin to Mr. Timoni.[*]

Therapia, August 23, 1881.

Sir,

AS you are aware, for some time past I have been pressing on the Porte the settlement of your claim, and after having obtained some days ago very positive verbal assurances, both from the Prime Minister and from the Minister for Foreign Affairs, that the Ottoman Government would soon proceed to liquidate its obligations to you, I have now received the inclosed communication in writing from Assim Pasha.

Yesterday I had the pleasure, in a personal interview, of acquainting you with its contents. Having ascertained, from what fell from yourself and the other creditors, that the Porte's offer of havalés was regarded with great suspicion and disfavour, I waited upon his Excellency Saïd Pasha and informed him that the proposal conveyed in his Excellency Assim Pasha's letter was considered as unsatisfactory by many other claimants, was refused by some, and was cordially accepted by none. I added that in promising me to pay these debts I trusted the Porte had not entered into a delusive engagement. His Highness, with great earnestness, replied that the engagement was not intended to be delusive, that the havalés would be duly cashed, and that if they were not cashed in the provinces they would be cashed at Constantinople.

You will understand that I cannot give you any advice as to whether or no you should accept the offer of the Porte, strengthened by this personal assurance of the Prime Minister; I merely acquaint you with what has taken place in order that you may pursue whatever course you may think most conducive to your own interests.

I am, &c.
(Signed) DUFFERIN.

No. 69.

The Earl of Dufferin to Earl Granville.—(*Received September* 6.)

(No. 737.)
Therapia, August 27, 1881.

My Lord,

I HAVE the honour to inclose, for your Lordship's information, copy of a second note I have received from the Sublime Porte, begging me to notice the British claimants

[*] Also to Messrs. Cuppa, Brothers, Mr. John Summa, Mr. Mat hew Dussi, Mr. Pietro Tedeschi, and Mr. Callinico.

to repair to the Treasury for the purpose of receiving delegations in satisfaction of their claims.

I have forwarded this communication to the gentlemen concerned, inclosed in a letter of which I subjoin a copy.

A somewhat similar letter has been addressed to Sir Peter Tait and Mr. Odoni.

I have, &c.
(Signed) DUFFERIN.

Inclosure 1 in No. 69.

Note Verbale.

POUR faire suite à sa note verbale du 18 de ce mois le Ministère des Affaires Étrangères prie l'Ambassade de Sa Majesté Britannique de vouloir bien inviter les sujets Anglais créanciers à se rendre au Département Impérial des Finances pour recevoir leurs délégations.

Sublime Porte, le 23 *Août,* 1881.

Inclosure 2 in No. 69.

to Mr. Timoni.[*]

Therapia, August 23, 1881.

Sir,

WITH reference to his letter of the 23rd instant, I am directed by the Earl of Dufferin to inclose to you herewith, for such action as you may deem proper in your own interests, copy of a further communication which his Excellency has received from the Sublime Porte in connection with your claims.

I am, &c.
(Signed) ———.

No. 70.

The Earl of Dufferin to Earl Granville.—(*Received September* 6.)

(No. 70. Commercial.)
Therapia, August 29, 1881.

My Lord,

WITH reference to Mr. St. John's despatch to your Lordship No. 4, Commercial, of the 22nd January last, I have the honour to transmit herewith a letter which I have received from Mr. Timoni, the agent of the Varna Railway Company at Constantinople, stating that the Porte has at length consented to the formation of a Commission to examine the claims of that Company. Delegates, as your Lordship will perceive, have accordingly been appointed both by the Ottoman and the Bulgarian Governments, and to-morrow has been fixed for the first meeting of the Commission.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 70.

Mr. Timoni to the Earl of Dufferin.

Varna Railway Company, Constantinople, August 24, 1881.

My Lord,

I HAVE the honour to inform your Lordship that after a very lengthened discussion and loss of time at the Sublime Porte, the Minister of Public Works has this day officially addressed me a letter stating that, in conformity with Article X of the Treaty of Berlin, the Bulgarian Government has appointed as its Delegate M. Guenoff, Chancellor of said Principality here, and the Imperial Ottoman Government Hayreddin Bey, Director-General of the Ottoman Railways.

[*] Also to Messrs. Cuppa, Brothers, John Summa, Matthew Dussi, Pietro Tedeschi, and — Callinico.

The first meeting is fixed for Tuesday, the 30th instant, at the Public Works Department for "le réglement des comptes antérieurs" of the Varna Railway Company.

I have, &c.
(Signed) MICHEL TIMONI, *Agent.*

No. 71.

Sir J. Pauncefote to Mr. Taylor.

Foreign Office, September 7, 1881.

Sir,

WITH reference to the letter from this Office of the 3rd ultimo, I am directed by Earl Granville to inform you that Mr. Lascelles reports, by telegraph, that he has received the answer of the Bulgarian Government to the proposal for arbitration made in your letter of the 23rd May.

The note from the Bulgarian Government reviews at length all the negotiations which have taken place, and states that the Government agree that the question shall be submitted to the Ambassadors at Constantinople on condition that the Government shall be represented in order to explain and develop their position. The Government agree that both parties shall be bound by the decision of the Arbitrators, and they will faithfully execute their obligations under Article X of the Treaty of Berlin; but they state that they can only accept a discussion upon the rights of the Company in so far as those rights are based upon the actual value of the shares ("titres") at the time of the transfer of the liability from the Turkish Government to Bulgaria.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 72.

The Earl of Dufferin to Earl Granville.—(Received September 12.)

(No. 783.)

My Lord,

Therapia, September 6, 1881.

I HAVE already informed your Lordship that, the Prime Minister having sent an order to the Treasury to pay in havalés the claims of certain British subjects on a list I had submitted to him, and having further assured me that if the havalés were not cashed in the provinces they would be cashed in Constantinople, I had acquainted the persons interested with the fact, and that some of them had accepted the offer of the Porte without reserve, that some had acquiesced in the proposed arrangement conditionally, and that others still hesitated to come into it.

One of the individuals in the last category, in communicating to me his decision, has requested me to continue my diplomatic efforts on his behalf. In reply, I have reminded him, but neither in writing nor officially, that as it is admitted on all sides that so large a sum as 280,000*l.* could not be forthcoming in cash, the proposal of the Government seemed the only alternative, if anything like an immediate settlement was desired; that the Prime Minister having made me a solemn promise that the drafts upon the provinces should be duly honoured, any further diplomatic action upon my part was not for the present desirable; and that it might not be even politic to afford his Highness an opportunity of modifying or confusing by subsequent observations the categorical character of his recent assurance.

In view of still further assisting those of the claimants who had accepted the offer of the Porte upon certain conditions (amongst whom are to be reckoned Messrs. Cuppa and the Varna Railway Company, to whom the sums of £T. 90,000 and 140,000*l.* are respectively owing), I instructed Sir Alfred Sandison to wait upon the Minister of Finance, and, while acquainting him with the character of the replies I had received, to make him understand that although on the one hand I myself accepted the assurance of the Prime Minister as an absolute and faultless guarantee, on the other I was bound to take into account the misgivings still apparently entertained by many of the claimants in regard to their obtaining a full and unimpaired satisfaction of their demands.

His Excellency, who, I am told, is a man of character and intelligence, stated, to quote the report of Sir Alfred Sandison, "that the matter must be considered as already concluded with the Porte, and that it was for him now to carry out the orders of the

Prime Minister and to give such personal assurances to the claimants as would relieve their further anxiety in regard to the havalés they were to receive." "These," his Excellency added, "will be given on the general revenue of the provinces for the current year, though it may be impossible to fix any particular term (as is asked for by some of the claimants) for their encashment, which has to be effected *pari passu* with the gradual collection of the different revenues by the provincial authorities."

His Excellency further promised to inform Sir Alfred Sandison privately, for the satisfaction of the claimants, what were the particular provinces upon which it was intended to issue the havalés, and which he promised should be solvent provinces.

This is a very important point, as your Lordship will remember that some of the claimants said that the satisfactory nature of the settlement would depend upon whether the havalés were drawn upon prosperous or bankrupt provinces.

Sir Alfred Sandison concludes his Memorandum by stating that the Minister, who is personally acquainted with almost all the claimants, and fully recognizes the justice of their demands, gave him the impression of being resolved to act fairly and in good faith throughout this matter.

With the view of giving still further facilities to the claimants, I have instructed Mr. Dragoman Marinich and Mr. Preziosi to place themselves at their disposal, and to give them every assistance in their power. This arrangement is equally agreeable to the creditors and to the Minister of Finance.

I have, &c.
(Signed) DUFFERIN.

No. 73.

Mr. Lascelles to Earl Granville.—(Received September 13.)

(No. 30. Commercial.)

My Lord,

Sophia, September 4, 1881.

WITH reference to your Lordship's telegram of the 31st ultimo, I have the honour to report that I received last night a note from the Bulgarian Minister for Foreign Affairs in reply to the note which I addressed to General Ehrnrooth on the 28th June relative to the question of submitting the claims of the Varna-Rustchuk Railway Company to the decision of the Ambassadors of the Great Powers at Constantinople. M. Voulcovitch reviews at considerable length all the negotiations which have taken place this subject, and states that the Bulgarian Government accept the proposal that the question should be submitted to the Ambassadors at Constantinople on the understanding that the Bulgarian Government should be represented at the meeting of the Ambassadors in order to explain and develop the decision at which they have arrived. They recognize the principle which renders it obligatory for the interested parties to act in conformity with the decision of the Arbitrators, and they will execute faithfully their obligations under the Xth Article of the Treaty of Berlin. They can, however, only accept a discussion upon the rights due to the Company in so far as those rights shall be considered to be based upon the real value of the Company's shares ("titres") at the time of the substitution of the Bulgarian for the Ottoman Government.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 74.

Mr. Lascelles to Earl Granville.—(Received September 13.)

(No. 31. Commercial.)

My Lord,

Sophia, September 4, 1881.

SINCE the receipt of your Lordship's telegram of the 4th ultimo I have repeatedly requested the Bulgarian Minister for Foreign Affairs to furnish me with the answer of the Bulgarian Government to the note which I addressed to General Ehrnrooth on the 28th June respecting the proposal to submit the claims of the Varna-Rustchuk Railway Company to the decision of the Ambassadors of the Great Powers at Constantinople. In spite of the assurances which I received from M. Stoïloff and M. Voulcovitch that the answer would be sent to me without delay, it was only last night that I received the

note of which I have the honour to inclose a copy, the substance of which I had the honour to communicate to your Lordship by my preceding despatch of this series, and by my telegram No. 28 of this day's date.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 74.

M. Voulcovitch to Mr. Lascelles.

M. l'Agent, *Sophia, le 3 Septembre*, 1881.

J'AI l'honneur de répondre à l'office que vous avez bien voulu adresser, sous la date du 28 Juin dernier, à son Excellence M. le Général Ehrnrooth, Gérant du Ministère des Affaires Étrangères de la Principauté de Bulgarie, ainsi qu'aux propositions énoncées dans la lettre écrite par le Président de la Société du Chemin de Fer de Roustchouk-Varna à sa Seigneurie Lord Granville, Premier Secrétaire d'État de Sa Majesté Britannique.

La question des obligations qui incombent au Gouvernement Princier envers la Compagnie du Chemin de Fer Varna-Roustchouk mérite, par l'importance de ses causes éloignées comme de ses conséquences prochaines, d'être reprise dès son origine, et de recevoir tous les développements qu'elle comporte. Exposer les diverses phases que cette question a traversées, préciter la situation qui lui est faite, soumettre les dispositions successives et les résolutions définitives qu'a prises le Gouvernement de Son Altesse mon auguste Souverain, tel est le but de la note que j'ai l'honneur de vous adresser.

Par votre lettre en date du 9 Août, 1880, vous aviez, M. l'Agent, informé le Gouvernement Princier des dispositions de votre Gouvernement à son égard, au sujet des délais apportés par la Principauté de Bulgarie au payement de la garantie d'intérêts sur le capital de la Compagnie du Chemin de Fer Roustchouk-Varna.

Le Gouvernement Princier, par la note en date du 23 Août, 1880, répondit qu'il reconnaissait la force obligatoire de la dette envers la dite Compagnie, et qu'il désirait une solution à cet égard.

Par deux lettres successives, datées du 21 Octobre et du 18 Décembre de la même année, Mr. G. Barkley, représentant de la Société du Chemin de Fer Varna-Roustchouk, faisait parvenir au Ministère des Affaires Étrangères du Gouvernement Princier, la situation des recettes pendant l'Exercice 1879-80, et sollicitait une émission de bons du Trésor, afin de consolider les sommes dues à la Compagnie.

Le Gouvernement de la Principauté, par la note du $\frac{1}{2}\frac{3}{5}$ Décembre, 1880, répondit à M. le Représentant de la dite Société qu'il ne pouvait accueillir sa proposition. En effet, le faisant, il serait allé au delà des engagements qui lui reviennent de par ses droits et de par les stipulations du Traité de Berlin. Toutefois, il proposait, à son tour, une transaction qui comporterait une réduction des annuités justifiable par la nature des actions émises, et par leur valeur réelle dans les négociations dont elles ont été toujours l'objet sur les marchés Européens.

Bien que cette base de réduction n'ait pas amené une entente directe avec la Compagnie du Chemin de Fer, le Gouvernement Princier ne pouvait la perdre de vue. En conséquence, dans la note qui vous fut adressée sous la date du 1er Février, 1881, il s'appuya sur les mêmes considérations exposées dans la lettre parvenue à Mr. Barkley. De plus, il fit ressortir les causes et les conséquences de la construction de la ligne ferrée Roustchouk-Varna, en face desquelles la situation d'alors du Gouvernement Ottoman ne pouvait être mise en parallèle avec la situation actuelle du Gouvernement Princier. Aussi ne devait-il considérer la solution définitive de la question que basée sur une réduction des demandes de la Compagnie. Il offrait donc à cette dernière de lui garantir annuellement 1,000,000 fr., et de lui payer immédiatement, sur le même pied, les annuités échues.

En réponse à la note relative à cette offre, vous fîtes part, M. l'Agent, au Gouvernement Princier, que sur une lettre du représentant de la Société du Chemin de Fer Varna-Roustchouk, suggérant de porter la question à l'arbitrage des Ambassadeurs des Puissances Signataires à Constantinople, sa Seigneurie Lord Granville demandait si la proposition de la dite Compagnie était acceptée par le Gouvernement de la Principauté de Bulgarie.

Le Gouvernement Princier, par la note que son Excellence le Général Ehrnrooth, Gérant du Ministère des Affaires Étrangères, vous adressa sous la date du $\frac{1}{1}\frac{3}{5}$ Mai, 1881,

accueillit la proposition de médiation, tout en se reportant aux conclusions contenues dans les notes précédentes.

En retour, et sous la date du 28 Juin dernier, ainsi qu'il est spécifié au commencement de la présente note, le Gouvernement de Son Altesse mon auguste Maître reçut de votre part communication de la lettre que le Président de la Compagnie du Chemin de Fer Roustchouk-Varna avait adressée à sa Seigneurie Lord Granville. Cette lettre expose les conditions sous lesquelles la dite Compagnie consent à ce que la question des obligations du Gouvernement Princier envers elle soit soumise à la décision des Ambassadeurs à Constantinople.

En réponse à cette dernière communication, j'ai l'honneur de vous informer, M. l'Agent, qu'après délibération du Conseil des Ministres, le Gouvernement de Son Altesse mon auguste Maître a pris les résolutions suivantes, que vous voudrez bien porter à la connaissance de sa Seigneurie Lord Granville.

Le Gouvernement Princier accepte définitivement que la question concernant les obligations de la Principauté de Bulgarie envers la Compagnie du Chemin de Fer de Roustchouk-Varna soit soumise à l'examen et aux décisions d'une réunion de leurs Excellences MM. les Ambassadeurs des Puissances Signataires du Traité de Berlin, à Constantinople. Il est bien entendu que le Gouvernement Princier sera représenté dans cette réunion pour exposer et développer les motifs de ses résolutions.

Le Gouvernement Princier reconnaît le principe qui oblige les parties intéressées à se conformer pleinement aux résolutions arrêtées par la réunion arbitrale des Ambassadeurs.

Le Gouvernement de Son Altesse mon auguste Maître exécutera fidèlement toutes les obligations qui lui sont imposées par l'Article X du Traité de Berlin, en ce qui concerne les droits de la Compagnie du Chemin de Fer Varna-Roustchouk.

Toutefois, il ne pourra accepter une discussion des droits dus à cette Compagnie, qu'en tant que ces droits seront considérés sur la base de la valeur réelle des titres de cette ligne au moment où les pouvoirs de la Principauté de Bulgarie ont été substitués à ceux du Gouvernement Ottoman. Dans cette attitude, le Gouvernement Princier ne se pose pas sur le point de vue de solvabilité ou d'insolvabilité, mais sur le point de vue de l'équité et du droit.

Telles sont, M. l'Agent, les résolutions prises par le Gouvernement de Son Altesse mon auguste Maître, en vue de déterminer la question de ses obligations envers la Compagnie du Chemin de Fer Roustchouk-Varna.

Je ne saurais, M. l'Agent, insister assez sur l'esprit d'équité dont sont marquées ces résolutions. Elles s'appuient sur ce double fait incontestable qui indique le véritable caractère de la ligne ferrée Varna-Roustchouk depuis sa construction. En premier lieu, les actions de la dite Compagnie du Chemin de Fer, émises à 20*l.*, lors de sa mise en exploitation, n'ont jamais pu atteindre, dans leurs fluctuations sur les Bourses Européennes, un cours égal au quart de leur valeur nominale. Ce fait seul démontre le peu de confiance qu'inspirait cette construction comme affaire. En second lieu, le Gouvernement Ottoman, ne se préoccupant que faiblement des besoins commerciaux du pays, avait simplement des vues militaires et politiques dans l'établissement de ce chemin de fer, tandis que le Gouvernement Bulgare, s'il s'était trouvé en présence d'un tel projet, se serait plutôt arrêté sur un terrain qui aurait correspondu à l'extension réelle de la prospérité du pays.

Or, si le Gouvernement Ottoman qui n'avait que ses vues politiques et stratégiques dans la réalisation du Chemin de Fer Roustchouk-Varna, n'a pas pris garde aux conditions de l'entreprise, défavorables comme tracé et comme construction, le Gouvernement Princier, qui a hérité de cette situation, ne saurait en assumer toutes les conséquences désastreuses. Il est donc équitable que le Gouvernement Princier soit résolu à considérer les droits dus à la Compagnie sur la base de la valeur réelle des titres de la dite ligne au moment de la substitution de la Principauté de Bulgarie à l'Empire Ottoman.

Je suis persuadé, M. l'Agent, que sa Seigneurie Lord Granville, avec la haute bienveillance qu'il a toujours témoignée au Gouvernement Princier, voudra bien accorder à ces résolutions l'appui qu'elles méritent pour la solution de la question.

Dans cet espoir, je vous prie, M. l'Agent, d'agréer, &c.
(Signé) G. VOULCOVITCH.

No. 75.

Mr. Lister to Mr. Taylor.

Foreign Office, September 17, 1881.

Sir,

WITH reference to the letter from this Office of the 7th instant, I am directed by Earl Granville to transmit to you, for the information of the Varna Railway Company, the text of the reply of the Bulgarian Government to the proposal of the Company to submit their claims to the decision of the Ambassadors of the Great Powers at Constantinople.*

I am to request the return of this paper.

I am, &c.

(Signed) T. V. LISTER.

No. 76.

Messrs. Taylor and Barkley to Earl Granville.—(Received September 24.)

Varna Railway Company, Offices, 56, *New Broad Street, London, September* 22, 1881.

My Lord,

WE have the honour to acknowledge your Lordship's letter of the 7th instant, giving details of Mr. Lascelles' telegraphic summary of the reply of the Bulgarian Government to your Lordship's last communication on the subject of this Company's claims.

We beg to thank your Lordship very sincerely for the courtesy which your Lordship has evinced by this prompt communication.

Bearing in mind that the reply in question is addressed to Her Britannic Majesty's Government, it is impossible to doubt but that it is intended to seriously express the views of the Bulgarian Government. Were this not the case, the restriction attached by the Bulgarian Government to its acceptance of the reference to the Ambassadors might be thought to have been conceived in a spirit of mockery.

The Company has no rights which are based upon the actual value of the shares ("titres") at the time of the transfer of the liability from the Turkish Government to Bulgaria; its rights are confined to those which are defined in the concessions it holds from the Turkish Government, the most valuable of which is a guarantee of 7 per cent. interest per annum on a capital sum of 2,000,000*l.*, *i.e.*, 140,000*l.* a-year.

The price in the market of the shares and bonds—which represent the sub-divisions of the above guarantee, whether at the time of the ratification of the Treaty or at any other time since their issue—can have no bearing on the right of the Company to the guarantee.

The Council is aware that the Bulgarian Government affects to consider that, whereas the Turkish Government did not, or could not, make good its guarantee during the last years of its dominion in Bulgaria, and consequently the selling price of the Company's shares and obligations was greatly depressed, it is inequitable that these securities should at any time command a higher price in consequence of Bulgaria being substituted for Turkey.

In other words, the Bulgarian Government desires to treat with the Company on the basis of nothing more being claimed from solvent Bulgaria than the sum which the Powers may decide could have been obtained from bankrupt Turkey in the summer of 1878.

To set forth in plain language the nature of this contention is sufficient to disclose, not only its perversity and injustice, but its total departure from the conditions of Article X of the Treaty.

Your Lordship will readily understand, from the foregoing, how necessary it is that the restriction attached to its acceptance of the reference by the Bulgarian Government should be withdrawn, and that nothing be admitted which is extraneous to the terms of the Treaty itself.

In conclusion, we may perhaps be permitted to point out that, during the first eighteen months after the establishment of the Bulgarian Constitution in 1879, the Bulgarian Government excused itself for not giving effect to the conditions of Article X of the Treaty by steadily pleading poverty.

It was only shortly before the late political events that this new scheme of evasion

* Inclosure in No. 74.

No. 75*.

Mr. Lascelles to Earl Granville.—(Received September 19.)

(No. 32. Commercial.)

Sophia, September 7, 1881.

My Lord,

IN a conversation which I had yesterday with M. Voulcovitch, I told him that I had not failed to forward to your Lordship the note which he addressed me on the 3rd instant relative to the claims of the Varna-Rustchuk Railway Company, and I took the opportunity of expressing the opinion that it would have been better if the Bulgarian Government had not demanded that the rights of the Company should be considered as based upon the real value of the railway bonds and shares at the time of the signature of the Treaty of Berlin. It appeared to me that the value of the shares at any particular time had nothing to do with the obligation to pay a yearly sum of money, and it might be argued that one of the reasons of the depreciation of the shares was the failure on the part of the Turkish Government to fulfil their obligations. If it had been a question of purchasing the line, I could understand that the value of the shares should have been taken as the basis of negotiation, but I was afraid that as the matter now stood, it was scarcely likely that the Company would agree that their rights were to be considered as based upon the value of the shares.

M. Voulcovitch replied that it was necessary to take some basis for negotiation, and he thought that the one that had been suggested was the fairest. The Bulgarian Government were anxious to settle the question, and to treat the shareholders and bondholders with equity, but they must at the same time consider their own interests.

I have, &c.

(Signed) FRANK C. LASCELLES.

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was hinted at, while its official adoption was, as your Lordship will observe, deferred until those political changes had been accomplished.

The advance in political perspicacity and good faith which this last step indicates is not fully apparent.

We have, &c.
(Signed) G. CAVENDISH TAYLOR, *Chairman.*
J. TREVOR BARKLEY, *Commissioner.*

No. 77.

Earl Granville to Mr. Lascelles.

(No. 31. Commercial.)

Foreign Office, September 29, 1881.

Sir,

ON the receipt of your telegram of the 4th instant, I caused to be communicated to the Varna Railway Company the substance of the answer of the Bulgarian Government, as stated therein, to the Company's proposal to submit their claims to the arbitration of the Ambassadors at Constantinople.

I now inclose, for your information, a copy of the reply which I have received from the Company;* and I have to instruct you to press for the withdrawal of the condition which is attached by the Bulgarian Government to their acceptance of the proposal for arbitration, and which the Company decline to agree to.

I am, &c.
(Signed) GRANVILLE.

No. 78.

Earl Granville to Mr. Lascelles.

(No. 32. Commercial.)

Foreign Office, September 29, 1881.

Sir,

I HAVE received your despatch No. 32, Commercial, of the 7th instant, recording a conversation which had passed between yourself and M. Vouleovitch on the previous day respecting the claims of the Varna Railway Company, and I approve your language on that occasion.

I am, &c.
(Signed) GRANVILLE.

No. 79.

Sir J. Pauncefote to Messrs. Taylor and Barkley.

Foreign Office, September 29, 1881.

Gentlemen,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 22nd instant, and to inform you that his Lordship has communicated a copy of it to Mr. Lascelles, with instructions to press the Bulgarian Government to withdraw the condition which they have attached to the acceptance of your Company's proposal for submitting their claims to the arbitration of the Ambassadors at Constantinople.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 80.

Mr. Walsh to Mr. Lister.—(*Received September* 30.)

Varna Railway Company, Offices, 56, New Broad Street, London, September 28, 1881.

Sir,

I HAVE the honour to acknowledge the receipt of your despatch of the 17th instant, inclosing copy of M. Vouleovitch's despatch to Mr. Lascelles, and which I herein return in accordance with your directions, with many thanks.

I am, &c.
(Signed) J. F. WALSH, *Secretary.*

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* No. 76.

No. 81.

The Earl of Dufferin to Earl Granville.—(Received October 3.)

(No. 845.)
My Lord, *Therapia, September 27, 1881.*

I HAVE the satisfaction of being able to announce to your Lordship that the negotiations for the payment of the principal British creditors of the Porte, which I have already described in my despatches No. 783 of the 6th instant, No. 737 of the 27th ultimo, and No. 732 of the 25th ultimo, have now reached a settlement which has been pronounced satisfactory by the claimants, the Minister of Finance having undertaken to issue at once havalés to these gentlemen to the amount of two-thirds of the entire sum due to them, the remaining one-third to be given them within a period of two months.

I beg to inclose a report from Mr. Marinich on the subject, as well as a letter of thanks from Messrs. Cuppa, whose claim, as your Lordship is aware, amounts (exclusive of a further claim for interest) to about 80,000*l.* From the language of Messrs. Cuppa your Lordship will see that these gentlemen regard the arrangement as an advantageous one.

The only two claimants on the list whose accounts remain to be dealt with are Sir Peter Tait and Mr. Timoni, the representative of the Varna Railway Company.

Sir Peter Tait by his own choice is endeavouring to come to a direct settlement with the Prime Minister, assisted by one of the Dragomans of this Embassy.

With regard to the claim of the Varna Railway Company, a hitch, I am sorry to say, has occurred, the Minister of Finance being inclined to contend that under the Xth Article of the Treaty of Berlin the settlement of the account in question is reserved for an understanding between the Government of the Principality, the Porte, and the Company. The question is to be discussed in the Council of Ministers on Thursday. I have called the Foreign Minister's attention to the fact that the claim had already been recognized by the late Foreign Minister, Abédine Pasha, as a just debt due by Turkey to the Company before the war, and that it formed one of the items which he himself, in his note of the 3rd August, 1880, stated that the Porte were ready to liquidate. From the reply made to me by Assim Pasha, I am in hopes that this matter will also be satisfactorily settled.

In concluding this despatch, I beg to express to your Lordship my obligation to Sir Alfred Saudison and Mr. Marinich, the First and Second Dragomans of this Embassy, for the assistance they have given me in bringing this difficult matter to a successful termination.

I have, &c.
(Signed) DUFFERIN.

Inclosure 1 in No. 81.

Memorandum.

JE me suis présenté chez le Ministre des Finances pour lui demander s'il avait eu l'occasion de recevoir les instructions du Premier Ministre, à l'égard des havalés à délivrer aux créanciers Anglais, selon l'accord intervenu entre l'Ambassadeur de Sa Majesté et son Altesse Saïd Pasha.

Son Excellence Munir Bey m'a répondu qu'il s'était abouché non seulement avec le Premier Ministre, mais aussi avec le Ministre des Affaires Étrangères et qu'il avait été décidé de payer immédiatement aux créanciers Anglais les deux tiers de leur avoir en havalés, et de leur délivrer le reste des havalés d'ici à deux mois, de façon à ce qu'ils puissent recevoir en havalés le montant intégral de leurs créances sur les revenus de l'année courante, comme il avait été convenu.

Le Ministre des Finances espérait que l'Ambassade de Sa Majesté, prenant en considération la situation du Trésor, n'aurait pas fait des difficultés à adhérer à la décision de la Porte.

Munir Bey m'a ajouté que les créanciers Anglais s'étaient présentés chez lui, qu'il leur avait déjà communiqué la décision de la Porte, et qu'ils s'y étaient conformés.

Depuis mon entrevue avec le Ministre des Finances j'ai vu MM. Cuppa, Frères, Mr. Genaj, Agent de la maison Summa, de Scutari-d'Albanie; Mr. N. Dussi, représentant les intérêts de son frère; Mr. M. Dussi, Vice-Consul d'Angleterre à Rodosto; et Mr. d'Andria, fondé de pouvoirs de Mr. Odoni, Vice-Consul d'Angleterre à Gallipoli. Ces messieurs m'ont dit qu'ils acceptaient en havalés les deux tiers de leurs

créances du moment que le Ministre des Finances m'avait déclaré officiellement qu'il leur aurait délivré dans deux mois le reste des havalés.

Aussitôt que le Malich aura fourni les havalés à ces créanciers Anglais, j'aurai l'honneur d'en informer l'Ambassade pour sa satisfaction.

(Signé) MARINICH.

Péra, le 24 Septembre, 1881.

Inclosure 2 in No. 81.

Messrs. Cuppa, Brothers, to the Earl of Dufferin.

My Lord, *Constantinople, le 26 Septembre*, 1881.

NOUS avons l'honneur d'informer votre Seigneurie que nous nous conformant à l'offre du Ministre des Finances nous avons accepté les deux-tiers de notre créance en havalés sur les revenus des provinces de l'année courante, et avons la ferme confiance qu'avec le concours puissant de votre Seigneurie, le Ministre des Finances nous fournira aussi le reste des havalés d'ici à deux mois, conformément à la promesse formelle donnée par son Excellence Munir Bey, au Drogman de l'Ambassade Royale.

Nous sommes à la veille de remplir les formalités requises pour l'obtention de ces délégations et nous n'avons qu'à nous louer de l'empressement que Mr. Marinich a mis pour applanir les difficultés de détails qui s'étaient présentées.

Avant de recevoir nos havalés nous considérons un devoir sacré pour nous d'exprimer à votre Seigneuire notre plus profonde reconnaissance pour tout ce qu'elle a daigné faire en faveur de notre créance, qui serait restée indubitablement en souffrance sans les démarches que votre Excellence dans sa haute bienveillance a bien voulu faire auprès de la Sublime Porte.

Notre gratitude, Milord, est d'autant plus grande que le prochain encaissement des havalés que le Gouvernement nous fournira, nous permettra de cesser les énormes sacrifices que nous sommes sans cesse obligés de nous imposer pour éviter le catastrophe commerciale qui nous menace.

Faisant les vœux les plus ardents au ciel pour la prospérité et le bien-être à votre Seigneurie, et de sa noble famille, nous la prions humblement d'agréer, &c.

(Signé) G. ET S. CUPPA, FRÈRES.

No. 82.

Mr. Lascelles to Earl Granville.—(Received October 4.)

(No. 33. Commercial.)
My Lord, *Sophia, September 19, 1881.*

I HAVE the honour to inclose a copy of a despatch which I have received from the British Vice-Consul at Rustchuk stating that Baron Hirsch has sequestrated the money guaranteed by the Bulgarian Government to the Varna Railway Company for the sum of about 50,000*l.*, and giving an account of the profits said to have been realized by the Working Company since the 1st January until the 31st August of this year.

In speaking of the sequestration of the money, Mr. Dalziel apparently refers to the action of the agent of the Working Company, as reported in my despatch No. 34, Commercial, of the 28th December last, as I have ascertained that no further action has been taken by him with the view of laying a sequester upon the money to be paid by the Bulgarian Government.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 82.

Vice-Consul Dalziel to Mr. Lascelles.

(Confidential.)
Sir, *Rustchuk, September 12, 1881.*

I HAVE been informed that the Baron Hirsch, or the Working Company of the Varna Railway, which is the same thing, has sequestrated the money guaranteed by the

Bulgarian Government to the Varna Railway Company (English Company) for the sum of about 50,000*l.*, and that, at the exact date of that sequestration being laid, the debt of the Varna Railway Company to Baron Hirsch, according to his own books, was only 29,000*l.*

I have also been informed that since the 1st January until the 31st August the profits realized by the Baron Hirsch from working the Varna Railway have amounted to 25,000*l.*, and that there are good reasons for anticipating a further profit of 15,000*l.* before the close of this year in December.

This large profit arises from an increased traffic, and also from the fact that the working expenses, which were between 5,000 fr. and 6,000 fr. per kilom. at the date of the transference of the line to the Working Company, have been gradually reduced within the last two years, until they now stand at 2,400 fr. per kilom., while the contract for working the line allows the Working Company to charge 7,000 fr. per kilom.

I think that the above information, which may be thoroughly relied on, will be useful to you at this time.

I have, &c.
(Signed) W. H. DALZIEL.

No. 83.

Mr. Lascelles to Earl Granville.—(*Received October* 10.)

(No. 35. Commercial.)

Sophia, September 29, 1881.

My Lord,

WITH reference to my despatch No. 32, Commercial, of the 7th instant, I have the honour to report that yesterday I again called the attention of M. Voulcovitch to the probability of the Varna and Rustchuk Railway Company refusing to accept the proposal of the Bulgarian Government that the rights of the Company should be considered as based upon the market value of the shares at the time of the signature of the Treaty of Berlin, and I asked his Excellency whether the Bulgarian Government were prepared to make any other proposal in the event of a refusal on the part of the Company.

M. Voulcovitch replied by repeating his former assurances of the desire of the Bulgarian Government to settle the question in an equitable manner. They wished to be just towards the bond and share holders of the Company, and, at the same time, to protect the interests of the Principality, and they had chosen a basis of negotiation which appeared to them to be fair. If, however, the Company should refuse to accept this basis, the Bulgarian Government would be prepared to seek another basis upon which an equitable settlement might be arrived at.

I told M. Voulcovitch that I was glad to hear that the demand contained in his Excellency's note of the 3rd instant was not to be considered as the final decision of the Bulgarian Government, and that I should not fail to report the fact to your Lordship without delay.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 84.

The Earl of Dufferin to Earl Granville.—(*Received October* 10.)

(No. 87. Commercial.)

Therapia, October 3, 1881.

My Lord,

WITH reference to my despatch No. 79, Commercial, of the 29th August last, I have the honour to inform your Lordship that I have received a further letter from Mr. Timoni, the agent of the Varna Railway Company at Constantinople, stating that M. Guenovitch, the Bulgarian Delegate to the Commission formed in conformity with the Xth Article of the Treaty of Berlin to settle the affairs of the above Company, had, by order of his Government, declined to attend the meeting which had been fixed for the 30th August last. Mr. Timoni, after some time had elapsed, called on M. Balabanow, the Bulgarian Agent, to ask for explanations, and was informed that until direct official communications had been established between the Ottoman Minister for Foreign Affairs

and the Agent of the Principality at Constantinople, M. Guenovitch would not attend any meeting of the Commission.

M. Balabanow, while admitting the justice of the remarks and complaints addressed to him by Mr. Timoni, stated that he was acting under instructions from his Government, and requested Mr. Timoni to inform Assim Pasha of this decision, which he accordingly did.

In bringing these facts to your Lordship's knowledge, I beg to add that I have already, in an unofficial manner, suggested to Assim Pasha the desirability of finding some way of putting an end to the present dead-lock in the communications between the Sublime Porte and Bulgaria.

I have, &c.
(Signed) DUFFERIN.

No. 85.

Mr. Lister to Mr. Walsh.

Foreign Office, October 14, 1881.

Sir,

WITH reference to the letter from this Office of the 29th ultimo, I am directed by Earl Granville to inform you that in a despatch dated the same day Mr. Lascelles reports that on the previous day he called the attention of M. Voulcovitch to the probability of your Company refusing to accept the proposal of the Bulgarian Government that the rights of the Company should be considered as based upon the market value of the shares at the time of the signature of the Treaty of Berlin, and asked his Excellency whether they were prepared to make any other proposal in the event of a refusal on the part of the Company.

M. Voulcovitch replied by repeating his former assurances of the desire of his Government to settle the question in an equitable manner. He said they wished to be just towards the Company, and at the same time to protect the interests of the Principality, and they had chosen a basis of negotiation which appeared to them to be fair. If, however, the Company should refuse to accept this basis, the Bulgarian Government would be prepared to seek another upon which an equitable settlement might be arrived at.

I am, &c.
(Signed) T. V. LISTER.

No. 86.

Mr. Walsh to Mr. Lister.—(*Received October* 19.)

Varna Railway Company, Offices, 56, New Broad Street, London, October 17, 1881.

Sir,

I HAVE the honour to acknowledge the receipt of your letter of the 14th instant, and beg to thank you for same.

I am, &c.
(Signed) J. F. WALSH, *Secretary.*

No. 87.

Messrs. Taylor and Barkley to Earl Granville.—(*Received October* 22.)

Varna Railway Company, Offices, 56, New Broad Street, London, October 20, 1881.

My Lord,

WE have the honour to thank your Lordship for your letter of the 14th instant, and also to thank Mr. Lascelles for the promptitude with which he has called M. Voulcovitch's attention to the "probability" of the Varna Company "refusing to accept the proposal of the Bulgarian Government that the rights of the Company should be considered as based upon the market value of the shares at the time of the signature of the Treaty of Berlin," and his having ascertained from M. Voulcovitch that, should

the Company refuse to accept this basis, "the Bulgarian Government would be prepared to seek another upon which an equitable settlement might be arrived at."

That this declaration on the part of the Minister is accompanied by assurances of the desire of the Bulgarian Government "to settle the question in an equitable manner," and to be just to the Company, is of itself satisfactory; nevertheless, it should be borne in mind that assurances of a similar desire, and of an intention to strictly observe the conditions of the Berlin Treaty, have been freely made on many previous occasions without leading to the Bulgarian Government being hitherto able to find anything to propose in fulfilment thereof more equitable as a basis of negotiation than the impossible proposition which M. Voulcovitch still appears to consider a fair one.

Granting, as in duty bound, that the Bulgarian Government is actuated by the desire it avows, the present position of affairs presents no difficulty in the way of its realization. The Bulgarian Government will act justly by the Company, and will find the new equitable basis of negotiation which it is prepared to seek, if, while preserving all the other conditions put forward by it, as communicated in Mr. Lister's note of the 7th September, it unreservedly withdraws the restriction relating to the "actual value of the shares ('titres')" with which that note concludes.

The question to be decided is neither abstruse nor complicated.

Under Article X of the Berlin Treaty Bulgaria, dating from the ratification of the Treaty, is substituted for Turkey as regards the "charges and obligations" of the latter in its relations with the Company.

If Bulgaria be desirous of fulfilling the duty imposed upon her by this Article, it is incumbent upon her to allow the Ambassadors of the Powers to determine what were the "charges and obligations of Turkey" at the time indicated, and to allow of this being decided without attempting to attach to the Article in question arbitrary and irrelevant restrictions foreign at once to its text and its intention.

Your Lordship would greatly oblige us by bringing this letter to the notice of Mr. Lascelles, in order that, when dealing with any new proposition which may emanate from M. Voulcovitch, he may know that the Company firmly adheres to its previous views.

We have, &c.
(Signed) G. C. TAYLOR, *Chairman.*
JOHN TREVOR BARKLEY, *Commissioner.*

No. 88.

Earl Granville to the Earl of Dufferin.

(No. 103. Commercial.)

My Lord, *Foreign Office, October* 22, 1881.

I HAVE received your Excellency's despatch No. 87, Commercial, of the 3rd instant, relative to the refusal of the Bulgarian Delegate at Constantinople to attend the Commission for settling the affairs of the Varna Railway Company; and I approve your Excellency's action in suggesting to Assim Pasha the desirability of finding some way of putting an end to the dead-lock in the communications between the Sublime Porte and Bulgaria.

I am, &c.
(Signed) GRANVILLE.

No. 89.

Earl Granville to Mr. Lascelles.

(No. 33. Commercial.)

Sir, *Foreign Office, October* 29, 1881.

I CAUSED the substance of your despatch No. 35, Commercial, of the 29th ultimo to be communicated to the Varna Railway Company; and I now inclose, for your information and guidance in any communications you may have with the Bulgarian authorities on the subject of the Company's claims, a copy of the reply which I have received from the Company.*

I am, &c.
(Signed) GRANVILLE.

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* No. 87.

No. 90.

Mr. Lister to Mr. Taylor.

Sir, *Foreign Office, October* 29, 1881.

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 20th instant, and to inform you that his Lordship has sent a copy of it to Mr. Lascelles, for his information and guidance in any communications he may have with the Bulgarian authorities on the subject of your Company's claims.

I am, &c.
(Signed) T. V. LISTER.

No. 91.

Mr. Lascelles to Earl Granville.—(Received October 30.)

(No. 38. Commercial.)

My Lord, *Sophia, October* 15, 1881.

ON the receipt of your Lordship's despatch No. 31, Commercial, of the 28th ultimo, I called upon M. Voulcovitch to communicate to him the substance of the letter addressed to your Lordship by the Varna Railway Company on the 22nd ultimo, in which they demand that the condition attached by the Bulgarian Government to their acceptance of the proposal to submit the claims of the Company to the decision of the Ambassadors at Constantinople should be withdrawn, and that nothing should be admitted extraneous to the terms of Article X of the Treaty of Berlin. I told his Excellency that, as he had informed me that the condition which the Company had refused to accept was not to be considered as final, I hoped that the Bulgarian Government would find no difficulty in withdrawing it.

M. Voulcovitch repeated the assurances which he had already given me of the sincere desire of the Bulgarian Government to settle the question in an equitable manner, but said that it was necessary to find some basis for discussion. The basis suggested by the Bulgarian Government had been refused by the Company, and he thought, therefore, that it was for the Company to suggest a new basis.

I replied that it appeared to me that the Treaty itself provided the only basis for discussion, and that the question for the Ambassadors to decide would be, What was the value of the obligations imposed upon Bulgaria by Article X?

To this M. Voulcovitch replied that the Company, by agreeing to an arbitration, had practically admitted that their rights under the Treaty were open to discussion, and that, unless some basis were agreed upon on which the discussion was to take place, it was evident that a long time would elapse before a decision could be arrived at. In his opinion, time would be saved if the Bulgarian Government and the Company could come to an agreement as to the basis of discussion, which his Excellency suggested might be found in the original value of the shares at the time they were issued.

I said that I did not think that the Company could agree to such a proposal. The value of the shares, whether at the time they were issued or at any other time, had nothing to do with the right of the Company to the guarantee, and it appeared to me that much more time would be wasted in seeking a basis for discussion than in submitting the whole question at once to the Ambassadors.

In conclusion, I said that it would be my duty to communicate to him officially the demand of the Company for the withdrawal of the condition contained in his note of the 3rd ultimo, which I had been instructed by your Lordship to press upon the Bulgarian Government. He said that as soon as he received my note he would at once submit it to the Prince of Bulgaria, and take His Highness' orders on the subject, so as to be able to give me an official answer as soon as possible.

I have the honour to inclose a copy of the note which I have addressed to M. Voulcovitch, inclosing a copy of the Company's letter to your Lordship with the exception of the three last paragraphs.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 91.

Mr. Lascelles to M. Voulcovitch.

Sophia, le 15 Octobre, 1881.

M. le Ministre,

JE n'ai pas manqué de transmettre au Principal Secrétaire d'État de Sa Majesté Britannique pour les Affaires Étrangères la note que votre Excellence m'a fait l'honneur de m'adresser en date du 3 Septembre, pour me communiquer la réponse du Gouvernement Princier à la proposition faite par la Compagnie du Chemin de Fer Varna-Roustchouk, de soumettre la question des obligations qui incombent au Gouvernement Princier envers la Compagnie à l'arbitrage des Ambassadeurs des Puissances Signataires du Traité de Berlin à Constantinople.

Dans cette note votre Excellence a bien voulu m'informer que "le Gouvernement Princier accepte définitivement que la question concernant les obligations de la Principauté de Bulgarie envers la Compagnie du Chemin de Fer Varna-Roustchouk soit soumise à l'examen et aux décisions de leurs Excellences MM. les Ambassadeurs," mais elle a ajouté: "Toutefois, il ne pourra accepter une discussion des droits dus à cette Compagnie qu'en tant que ces droits seront considérés sur la base de la valeur réelle des titres de cette ligne au moment où les pouvoirs de la Principauté de Bulgarie ont été substitués à ceux du Gouvernement Ottoman."

Lord Granville ayant communiqué à la Compagnie la réponse du Gouvernement Princier, a reçu une lettre dont j'ai l'honneur de transmettre ci-près un extrait à votre Excellence. Dans cette lettre la Compagnie fait observer que ces droits sont basés, non sur la valeur des titres à un moment donné, mais sur les concessions qu'elle a obtenues du Gouvernement Ottoman, et que le plus important de ces droits est une garantie annuelle de 7 pour cent sur un capital de 2,000,000*l.*, que le droit de la Compagnie à cette garantie est tout à fait indépendant de la valeur des titres, et que ce serait non seulement injuste, mais contraire aux dispositions de l'Article X du Traité de Berlin, de considérer ses droits sur la base de la valeur des titres. La Compagnie demande donc que la condition imposée par le Gouvernement Princier à la soumission de la question aux Ambassadeurs à Constantinople soit retirée, et que rien ne soit admis qui soit en contradiction avec les stipulations du Traité.

J'ose espérer, M. le Ministre, que le Gouvernement Princier ne trouvera aucun inconvénient à agréer la demande de la Compagnie qui j'ai été chargé par mon Gouvernement d'appuyer auprès de votre Excellence.

Je saisis, &c.

(Signé) FRANK C. LASCELLES.

No. 92.

Earl Granville to Mr. Lascelles.

(No. 34. Commercial.)

Foreign Office, November 12, 1881.

Sir,

I HAVE received your despatch No. 38, Commercial, of the 15th ultimo, reporting the substance of a conversation which passed between M. Voulcovitch and yourself on the subject of the Varna Railway Company's claims against the Bulgarian Government, and inclosing copy of the note which you addressed to his Excellency, communicating to him the substance of the Company's letter of the 22nd September.

In reply, I have to instruct you to inform the Bulgarian Government that Her Majesty's Government altogether repudiate M. Voulcovitch's argument that the Company, by agreeing to arbitration, had admitted that their rights under the Treaty were open to discussion. Their rights are quite clear, and are secured by an International Agreement, and the only question left open by Article X is that of amount, and the Company are ready to abide by the decision to which the Arbitrators may arrive at on that question.

I have to add that I approve your language, as reported in your despatch and your note of the 15th October to M. Voulcovitch, and that I have caused the substance of your despatch to be communicated to the Company.

I am, &c.

(Signed) GRANVILLE.

No. 93.

Mr. Lascelles to Earl Granville.—(Received November 14.)

(No. 39. Commercial.)

Sophia, October 29, 1881.

My Lord,

IN a conversation which I have had with M. Voulcovitch I asked his Excellency whether he could inform me of the nature of the reply which he would make to my note of the 15th instant (copy of which was inclosed in my despatch No. 38, Commercial, of the same date) with regard to the claims of the Varna-Rustchuk Railway Company.

His Excellency replied that he was preparing an answer to my note, in which he would suggest that, as the Company had refused the basis of negotiations proposed by the Bulgarian Government, it was for the Company now to propose a basis.

I repeated to his Excellency the arguments I had already used, as reported in my above-mentioned despatch, and pointed out to him that such a suggestion could not fail to produce a very bad impression. As, however, I was unable to induce him to change his opinion, I thought it my duty to ask for an audience of the Prince of Bulgaria.

The Prince received me this morning, and I explained to him that, in my opinion, it was impossible for the Council of Administration of the Company to accept any other basis of discussion than the Xth Article of the Treaty of Berlin. It was hopeless to expect that any arrangement could be could between the Company and the Bulgarian Government, and therefore the only way of settling the question would be a decision of some independent authority which both sides would agree to abide by. The Ambassadors at Constantinople would decide the question authoritatively, but it was necessary that the whole question should be submitted to them, and it was idle to suppose that the Company could accept any limitation of the nature suggested by M. Voulcovitch. I foresaw that, if his Excellency's answer to my note were drawn up in the sense he proposed, the Company would regard it as an attempt on the part of the Bulgarian Government to put off the solution of the question, and I should, no doubt, receive instructions from your Lordship to make a serious representation on the subject. It was with the view of obviating, if possible, this contingency, that I had thought it my duty to lay the matter before His Highness.

The Prince replied that it was natural that a Bulgarian Minister should attempt to secure the best terms possible for his country. He dwelt upon the hardship of the Principality being called upon to pay a large sum for a railway which was of very little advantage for the country, and he was afraid that, unless some limitation were made in the reference to the Ambassadors, Bulgaria would be called upon to pay a sum which would render it impossible for her to proceed with the construction of the railways which she required for the development of her resources. The doubt as to the amount which the Ambassadors might decide upon as due from Bulgaria rendered it necessary for the Bulgarian Government to exercise great caution in dealing with the question.

I observed that if the result of an arbitration could be ascertained beforehand there would never be any necessity for going to arbitration at all. I had no doubt that the Ambassadors would carefully consider all the circumstances of the case in giving their decision, which would practically be a definition of the obligations imposed upon Bulgaria by the Treaty of Berlin in respect of the Varna-Rustchuk Railway Company. I also alluded to the damaging effect which the delay in settling this question must have upon the credit of the Bulgarian Government. To this His Highness replied that he had been assured by M. Sauvan and the Vicomte d'Harcourt, who had recently visited Sophia as the representatives of the Union Générale (the Company employed in constructing the Servian railways), that there would be no difficulty in providing the necessary sums for the construction of Bulgarian railways if the concession were to be granted to them. I pointed out to His Highness that the sums so raised would be due to the credit of the Union Générale rather than to that of the Bulgarian Government.

In conclusion, His Highness asked me whether I would consent to my note of the 15th instant remaining unanswered until he should have had an opportunity of consulting the new French Inspector of Finance, M. Queillé, who is expected to arrive in the course of a few days.

I agreed at once to this proposal, and I trust that the advice of a high financial authority may induce the Bulgarian Government to take into more serious serious consideration than they have hitherto seemed inclined to do the necessity of settling this long-pending question.

I have, &c.

(Signed) FRANK C. LASCELLES.

No. 94.

The Earl of Dufferin to Earl Granville.—(Received November 16.)

(No. 107. Commercial.)

Constantinople, November 10, 1881.

My Lord,

I HAVE the pleasure of inclosing, for your Lordship's information, copy of a letter of thanks which I have received from Mr. Michel Timoni, the agent in Constantinople of the Varna Railway Company, thanking me for having obtained a settlement of the claim of the Company for £T. 140,000.

I have, &c.
(Signed) DUFFERIN.

Inclosure in No. 94.

Mr. Timoni to the Earl of Dufferin.

Varna Railway Company, Constantinople, November 7, 1881.

My Lord,

IN pursuance of the very kind interview which your Lordship has granted me, I most humbly beg to inform your Excellency that by order of the Board of Directors of the Varna Railway Company I have been instructed to thank most respectfully your Lordship for the constant and energetic steps taken on behalf of the Varna Company against the Imperial Ottoman Government, and thus enforce the validity of their claim in virtue of the very bond delivered by the Department of the Minister of Finances in May 1876 for the yearly guarantee due to the said Company for the exercise of 1874-75.

I most humbly seize this opportunity to thank likewise your Lordship for the personal kindness shown to me as representative of the Varna Railway Company.

I have, &c.
(Signed) MICHEL TIMONI, *Agent.*

No. 95.

Sir J. Pauncefote to Mr. Taylor.

Foreign Office, November 16, 1881.

Sir,

I AM directed by Earl Granville to inform you that, in a despatch dated the 15th ultimo, Mr. Lascelles reported to his Lordship that he had called on M. Voulcovitch to communicate to him the substance of your letter of the 22nd September, and I am to inclose a Memorandum of the conversation which passed between Mr. Lascelles and his Excellency on the occasion.*

Mr. Lascelles subsequently addressed an official note to M. Voulcovitch pressing, on behalf of Her Majesty's Government, the demand of your Company for the withdrawal of the condition of arbitration contained in his Excellency's note of the 3rd September.

Mr. Lascelles has now been instructed to inform the Bulgarian Government that Her Majesty's Government altogether repudiate M. Voulcovitch's argument that your Company, by agreeing to arbitration, had admitted that their rights under the Treaty of Berlin were open to discussion; that their rights are quite clear, and are secured by an International Agreement, and the only question left open by Article X is that of amount, and that the Company are ready to abide by the decision to which the Arbitrators may arrive on that question.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

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* See No. 91.

No. 96.

Earl Granville to Mr. Lascelles.

(No. 36. Commercial.)

Foreign Office, November 19, 1881.

Sir,

I HAVE received your despatch No. 39, Commercial, of the 29th ultimo, and, in reply, I have to inform you that I approve the language you used, as reported therein, while discussing with M. Voulcovitch and with the Prince of Bulgaria the claims of the Varna-Rustchuk Railway Company.

I am, &c.
(Signed) GRANVILLE.

No. 97.

Messrs. Taylor and Barkley to Earl Granville.—(Received November 28.)

Varna Railway Company, Offices, 56, New Broad Street, London, November 23, 1881.

My Lord,

THE Council of the Varna Railway Company have the honour to acknowledge the receipt of your Lordship's letter of the 16th instant, inclosing an extract from a despatch of Mr. Lascelles of the 15th ultimo.

The Council is again called upon to thank your Lordship and Mr. Lascelles for the continuous support which has been given by Her Britannic Majesty's Government to the claims of this Company on Turkey and Bulgaria under Article X of the Treaty of Berlin, and especially to thank your Lordship for having instructed Mr. Lascelles, since the receipt of his despatch of the 15th ultimo, that Her Majesty's Government "altogether repudiate M. Voulcovitch's argument that" the Varna Company, in agreeing to arbitration, "had admitted that their rights under the Treaty of Berlin were open to discussion;" and also for having further informed the Bulgarian Government, through Mr. Lascelles, "that the Company's rights are quite clear, and are secured by an International Agreement."

The Council feel sure, from your Lordship's past action in this matter, that Her Majesty's Government will continue to press this Company's claims on the Bulgarian Government.

We have, &c.
(Signed) G. CAVENDISH TAYLOR, *Chairman.*
JOHN TREVOR BARKLEY.

No. 98.

Mr. Campbell to Earl Granville.—(Received December 7.)

Varna Railway Bondholders Committee, 19, Bishopsgate Street Within, London, November 30, 1881.

My Lord,

I HAVE the honour to inclose copies of Resolutions passed at a meeting of the Varna Railway bondholders, who represent three-fourths of the entire property of the Company.

The Committee which has been appointed by virtue of these Resolutions propose to send a delegate to Sophia and elsewhere in furtherance of the interests involved. Previous, however, to taking this step, they are desirous of bringing before your Lordship matters upon which they are most anxious to have your Lordship's opinion, and if your Lordship will grant us an interview, I will do myself the honour to attend upon you at any time your Lordship may be pleased to name, accompanied by only two or three members of our Committee.

I am, &c.
(Signed) R. CAMPBELL, *Chairman.*

Inclosure in No. 98.

Resolutions passed at Meeting of Varna Railway Bondholders.

1. *Resolved*,—That it is in the interests of the bondholders that the Bulgarian Government should carry out the provisions of the Xth Article of the Treaty of Berlin.

2. *Resolved*,—That a Committee be appointed to take such steps in the interests of the bondholders as they may deem fit, and to confer with such persons or bodies as they may think necessary, and, if needful, to appoint a delegate or delegates to represent the bondholders in Sophia, Constantinople, or elsewhere.

3. *Resolved*,—That the Committee consist of the following gentlemen, viz., Robert Campbell, E. A. Mavrogordato, Lewis Phillips, Sydney Kennedy, and Hermann Landau.

No. 99.

Sir J. Lubbock, M.P., to Earl Granville.—(Received December 7.)

Lombard Street, December 3, 1881.

My dear Lord Granville,

I HAVE been asked to forward to you the inclosed letter, which is signed by a few gentlemen who are very largely interested in the Varna Railway Company.

They have explained to me that they do not wish for anything in the character of a public deputation, but merely to have the opportunity of mentioning the steps they propose to take, and of hearing any remarks you may be good enough to make, or any expression of your views.

I am, &c.
(Signed) JOHN LUBBOCK.

No. 100.

Sir J. Pauncefote to Sir J. Lubbock, M.P.

Foreign Office, December 17, 1881.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 3rd instant, forwarding a letter from some bondholders of the Varna Railway Company, requesting an interview with his Lordship; and, in reply, I am to ask what is the nature of the communication they wish to make, as it appears to his Lordship that no further action can be taken at present by Her Majesty's Government in the matter, and the Company have been supplied with the fullest information with regard to it.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 101.

Mr. Campbell to Earl Granville.—(Received December 23.)

Varna Railway Bondholders Committee, 19, Bishopsgate Street Within, London, December 22, 1881.

My Lord,

BY the courtesy of Sir John Lubbock, we have been favoured with your Lordship's communication requesting information as to the object we have in soliciting an interview with your Lordship. In reply, we beg most respectfully to state that, as we propose to send a delegate to Sophia, we would ask your Lordship to write to Mr. Lascelles to give the said delegate his support if required.

We would at the same time explain to your Lordship the kind of proposals we intend to submit to the Bulgarian Government, the object of which is to come to a settlement with the Company.

We beg to draw your Lordship's attention to the fact that this request is submitted not by individual bondholders, but by the Committee elected at a general meeting of the bondholders of the Company, whose interest in the railway amounts to

more than three-fourths of the whole capital of the Company, and who, by a Resolution already forwarded to your Lordship, instructed our Committee to dispatch a delegate with the above object.

Our mission will in no way interfere with what has been done, or is being done, through Her Majesty's Representative or the Company, on the contrary, we believe that our mission will facilitate a settlement.

We are, &c.
(For self and other members of Committee),
(Signed) R. CAMPBELL, *Chairman.*

No. 102.

Mr. Lascelles to Earl Granville.—(Received December 26.)

(No. 40. Commercial.)

Sophia, December 12, 1881.

My Lord,

IN obedience to the instructions contained in your Lordship's despatch No. 34, Commercial, of the 12th ultimo, I have informed M. Vouleovitch that Her Majesty's Government altogether repudiate his argument that the Varna-Rustchuk Railway Company, by agreeing to arbitration, had admitted that their rights under the Treaty of Berlin were open to discussion. Their rights, I said, are quite clear, and are secured by an International Agreement, and the only question left open by Article X is that of amount, the Company being quite ready to abide by the decision which the Arbitrators may arrive at on that question.

M. Vouleovitch said that he did not think that there was any real difference of opinion between Her Majesty's Government and himself. He fully admitted the obligations imposed upon Bulgaria by the Treaty of Berlin, and the question for the Ambassadors to decide would be the amount. It was evidently impossible for the Ambassadors to decide that the amount to be paid by Bulgaria should be greater than the amount claimed by the Company. Any change, therefore, in the amount would be in the nature of a diminution of the claims of the Company; but how, he asked, would it be possible for the Ambassadors to decide on such a diminution, unless an arrangement were previously come to between the Bulgarian Government and the Company as to the basis upon which the discussion should be conducted? The basis he had proposed had not been accepted, and would therefore be withdrawn, but there were several other bases which might be adopted, and he still thought it would be easy to find one that would be acceptable to both parties, and he mentioned the original value of the shares at the time of their issue, or the real amount of the cost of the line.

I said that it appeared to me that these considerations might fairly be submitted to the Ambassadors to assist them in coming to a decision, but that it was idle to hope that the Company would accept any basis except the Xth Article of the Treaty of Berlin, or that they would agree to any limitation being placed upon that Article in the reference to be made to the Ambassadors. Any suggestion, therefore, on the part of the Bulgarian Government to seek for a new basis of discussion would, in my opinion, be a mere waste of time.

I then told his Excellency that I had hitherto refrained from pressing for an answer to my note of the 15th October, as I was aware that the Prince desired to consult M. Queillé, the new Conseiller of Finance, upon the subject, and I was also aware that, in consequence of a delay in the signature of his contract, that gentlemen had only recently entered upon the duties of his post. Now, however, as M. Queillé had already been some days in office, I felt it my duty to ask his Excellency for a reply.

M. Vouleovitch said that he would report what I had said to the Prince, and take His Highness' orders on the subject; and in a conversation which I had with his Excellency yesterday he told me that he had been instructed by the Prince to consult with M. Queillé, and to draw up an answer to my note, which he hoped to forward to me in the course of a week or ten days.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 103.

Sir J. Pauncefote to Mr. Campbell.

Foreign Office, December 30, 1881.

Sir,

I AM directed by Earl Granville to inform you, in reply to your letter of the 22nd instant, that when the delegate of the Bondholders' Committee is prepared to leave for Sophia, Mr. Lascelles will be instructed to give him all the assistance he properly can in furtherance of the object of his mission.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

No. 104.

Mr. Campbell to Earl Granville.—(Received January 6.)

Varna Railway Bondholders Committee, 19, *Bishopsgate Street Within, London, January* 4, 1882.

My Lord,

WE beg to thank your Lordship for the assistance your Lordship has kindly offered us, but as the proposed mission to Sophia will be a considerable expense to the bondholders, we do not feel ourselves justified in incurring it before we have your Lordship's approval of the instructions we will give to our delegate. We therefore venture to hope that your Lordship will consent to receive a deputation consisting only of two or three gentlemen, when our intentions could be discussed and your Lordship's opinion ascertained.

We are, &c.

(Signed) R. CAMPBELL, *Chairman.*

No. 105.

Sir J. Pauncefote to Mr. Campbell.

Foreign Office, January 28, 1882.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 4th instant, and to explain to you that when the letters of the 17th and 30th ultimo were addressed to you his Lordship was under the impression that he was addressing the Company, and not a section of the shareholders or bondholders.

The correspondence in this case has hitherto been carried on with the Company, and before proceeding further in the matter of the applications contained in your letters of the 30th November and 22nd December, his Lordship would be glad to know whether they are made with the sanction and approval of the Board of Direction of the Company.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

No. 106.

Mr. Lascelles to Earl Granville.—(Received January 30.)

(No. 1. Commercial.)

Sophia, January 12, 1882.

My Lord,

IN a conversation which I had with M. Voulcovitch the day before yesterday I reminded his Excellency that I had not yet received an answer to the note which I addressed to him on the 15th October last relative to the claims of the Varna-Rustchuk Railway Company.

M. Voulcovitch said that the answer would shortly be prepared, but that he was anxious to obtain my assistance ("concours") in a proposal which he hoped might lead to a settlement of the question, without the necessity of troubling the Ambassadors at Constantinople.

He referred to the arrangement which had lately been made with the Turkish

bondholders at Constantinople, and asked whether it would not be possible for the Bulgarian Government to come to a similar arrangement with the Varna-Rustchuk Company.

I told M. Voulcovitch that it was absolutely impossible that the Company should accept such a proposal, and that, if it were made, it would certainly be regarded as an attempt on the part of the Bulgarian Government to evade the arbitration which they had professed to be willing to accept. M. Voulcovitch then asked me whether the arrangement come to with the bondholders could not serve as a basis for the decision of the Ambassadors, to which I observed that this proposal would reduce the action of the Ambassadors to the working out of a very simple sum. It was evident that no arrangement could be come to between the Bulgarian Government and the Company. The latter claim that the Treaty of Berlin gives them the right to the payment of a certain sum of money; the former acknowledge the obligations of the Treaty, but dispute the amount. It is difficult to conceive a fairer subject for arbitration. Each party would have the opportunity of submitting the arguments in favour of their view to the Arbitrators, but it is evidently impossible for either party to demand beforehand that the Arbitrators should decide the question in their favour.

I have, &c.

(Signed) FRANK C. LASCELLES.

No. 107.

Earl Granville to Mr. Lascelles.

(No. 2. Commercial.)

Foreign Office, February 2, 1882.

Sir,

I HAVE received your despatch No. 1, Commercial, of the 12th ultimo, reporting a conversation which had taken place between yourself and M. Voulcovitch on the subject of the Varna Railway Company's claims; and I approve the language which you held to his Excellency on that occasion.

I am, &c.

(Signed) GRANVILLE.

No. 108.

Mr. Taylor to Sir J. Pauncefote.—(Received February 6.)

Varna Railway Company, Offices, 56, *New Broad Street, London, January* 31, 1882.

Sir,

WHEN I recently had the pleasure of calling upon you I understood you to say that a despatch had been received from Mr. Lascelles in which the position of the Varna Railway Company *vis-à-vis* the Bulgarian Government in reference to this Company's letter addressed to Lord Granville under date of the 22nd September last was alluded to. I shall feel obliged by your furnishing myself and colleagues with any further information thereon you may think fit to accord.

I have, &c.

(Signed) G. C. TAYLOR, *Chairman.*

No. 109.

Sir J. Pauncefote to Mr. Taylor.

Foreign Office, February 20, 1882.

Sir,

IN reply to your letter of the 31st ultimo, I am directed by Earl Granville to inform you that on the 12th ultimo Mr. Lascelles reported that he had again pressed M. Voulcovitch on the subject of the claims of your Company, and that M. Voulcovitch promised that the answer to Mr. Lascelles' note of the 15th October would shortly be prepared.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

No. 110.

Mr. Lascelles to Earl Granville.—(Received February 27.)

(No. 4. Commercial.)

My Lord, *Sophia, February 15, 1882.*

ON the day of his departure for Vienna M. Voulcovitch called upon me and informed me that he had written an answer to my note of the 15th October last with regard to the claims of the Varna-Rustchuk Railway Company, and that he had no doubt I should be satisfied with the decision taken by the Bulgarian Government. On the following day I received a note from his Excellency, acknowledging the receipt of my note of the 15th October last and of an extract of a letter addressed to your Lordship by the Company, and stating that the Bulgarian Government regretted to perceive that the Company had refused the proposals which had been made to them, and insisted absolutely upon the rights which they had obtained by the concessions. His Excellency goes on to say that, in the new situation which has been created by the refusal of the Company to abide by the understanding which had been come to, he hastened to inform me that it had been decided by the Council of Ministers that the question should be referred to the Minister of the Interior, who would be charged to form a Commission of financiers and engineers to draw up a detailed Report to be submitted to the Council of State, to which all questions relating to the finances of the country must be referred. His Excellency adds that, as the question of the obligations of the Bulgarian Government towards the Company will entail a considerable augmentation of the Budget, I shall not fail to recognize the justice of the motives which compel the Government to make their engagements depend upon the advice of that body.

His Excellency concludes by saying that as soon as the Government shall have received the opinion of the Council of State they will hasten to communicate to me their views with regard to the solution of the question.

When I received this note M. Voulcovitch had already left Sophia, and M. Natchevitch had not yet announced that he had taken charge of the Ministry for Foreign Affairs. I therefore thought it best to call upon M. Stoïloff, the Head of the Prince's Chancellerie, to inform him that I considered the note in every way unsatisfactory. I said that nearly four months had elapsed since I addressed my note to M. Voulcovitch, and that I should in any case have had good reason to complain that after so long a period I should only now be informed that a Commission was about to be appointed. But this was not the only complaint I had to make. I could not admit that any new situation had been created by the refusal of the Company to agree to the condition suggested by M. Voulcovitch, and it appeared to me to be quite inadmissible that the fulfilment on the part of the Bulgarian Government of an obligation laid down by the Treaty of Berlin should depend upon the opinion of the Council of State. The whole note was, in my opinion, of so unsatisfactory a nature that if there had been a Bulgarian Agent in London I should have declined to forward such a communication to your Lordship, and should have requested the Bulgarian Government to make it through their own Representative. As, however, I was the only channel of communication between the two Governments, I did not feel justified in adopting this course, and it was therefore my duty to send the note to your Lordship, but I was certain that it would produce a very bad impression, unless it were accompanied with some explanation. I hoped to have an opportunity of seeing M. Natchevitch on the following day, and before sending the note to your Lordship, I should consider it my duty to ask for an audience of the Prince of Bulgaria.

M. Stoïloff said that the note had been submitted to the Council of Ministers before being sent to me. He had himself suggested that it should be altered, and that no mention should be made in it of the Commission which it was proposed to form. He thought, however, that M. Voulcovitch was justified in submitting the question to the Council of State, since the refusal of the Company to submit the question to arbitration had completely changed the situation. I interrupted M. Stoïloff to ask him whether M. Voulcovitch had really stated that the Company had refused arbitration, and on his answering in the affirmative, I said that M. Voulcovitch had stated what was positively untrue. The Company were most anxious to submit the question to arbitration; but they refused to agree to the condition which M. Voulcovitch sought to impose upon them, and which would have compelled the Arbitrators to decide the question in favour of the Bulgarian Government. What the Company demanded was that the arbitration should be fair. M. Stoïloff said that the account given by M. Voulcovitch had placed the matter in quite a different light. He would now lay the matter

before the Prince, and take His Highness' orders on the subject. I begged him, before doing so, to read my note of the 15th October, and the extract of the Company's letter to your Lordship, from which he would perceive that all the Company demanded was that the condition which the Bulgarian Government had attached to the submission of the question to the Ambassadors at Constantinople should be withdrawn. M. Stoïloff remarked that he had opposed the insertion of this condition in the note which was addressed to me by M. Voulcovitch on the 3rd September last, which he thought ought merely to have been an indication of the argument they would employ, and he asked me whether there would be any objection to the Bulgarian Government stating that in their arguments before the Ambassadors they would lay stress upon the value of the shares at the date of the signature of the Treaty of Berlin.

I replied that I took it for granted that each party would be at liberty to make use of any argument they might think fit, and that if the Bulgarian Government agreed to submit the whole question to the Ambassadors without any condition, there could be no objection to their indicating at the same time the arguments by which they intended to support their view of the case.

I added that it would give me great pleasure to be able to forward to your Lordship a note from the Bulgarian Government in the sense suggested by M. Stoïloff.

On the following morning M. Stoïloff called upon me on his way to the Palace. He informed me that he had read my note of the 15th October, and had spoken to M. Natchevitch on the subject, and he asked me whether I would consent to return the note on the understanding that it should be replaced by a note drawn up in the sense he had proposed. I willingly agreed to this proposal, and M. Stoïloff promised me that the matter should at once be laid before the Council of Ministers, and that he would let me know the result. He subsequently informed me that it had been decided to adopt the course he had suggested.

Yesterday I had an interview with M. Natchevitch, the Acting Minister for Foreign Affairs, who informed me that he had been charged by the Council of Ministers to request me to return M. Voulcovitch's note in order that it might be replaced by another note, by which the Bulgarian Government would agree to submit the question to the Ambassadors at Constantinople. He requested me, however, to wait a few days in order that the matter might be laid before the Council of State.

I told M. Natchevitch that I could not admit that a Treaty obligation should be made to depend upon the opinion of the Council of State; but he explained to me that such was not the intention of the Bulgarian Government, who were perfectly aware that the Council of State could not alter an international obligation.

He could assure me that the Council of State would approve of the action which the Government proposed to take, and he was anxious to obtain such an approval in order to silence any opposition which might be raised in the country.

As it appeared to me that the hands of the Bulgarian Government in dealing with this matter might be strengthened by the approval of the Council of State, and that their responsibility for the fulfilment of a Treaty obligation could not be diminished by any advice which that body might give, I thought that I was justified in agreeing to M. Natchevitch's proposal, and I therefore returned to his Excellency the note which I had received from M. Voulcovitch, and consented to wait for a week or ten days for the communication by which it was to be replaced.

I have, &c.

(Signed) FRANK C. LASCELLES.

No. 111.

Mr. Mozley to Lord Tenterden.—(Received February 27.)

(Private.)

My Lord, *Reform Club, Pall Mall, February 27, 1882.*

REFERRING to our conversation at the interview you have just had the goodness to give me, in company with Mr. Frederick Mozley, on the introduction of Mr. Childers, I should feel obliged by your ascertaining, for my guidance, whether Lord Granville has promised to the Board of Directors, or to the Committee of Bondholders, or to any member of the same, his support, politically or otherwise, in furtherance of the Company's claim against the Bulgarian Government; and especially whether his Lordship has undertaken to grant a letter of recommendation to a Mr. Landau, whom it has been proposed to send out as a delegate from the Committee to Sophia at some early date.

I explained to you very fully to-day my position in this matter; and, in view of the strong hopes I entertain of settling the long-pending question in a way satisfactory to all interested, it is most essential that I should be aware to what extent any promise, if any, has been made as above indicated. I avail myself of your kind permission to call to-morrow at 2·30 for a verbal reply, and have, &c.

(Signed) LEWIN MOZLEY.

No. 112.

Mr. Mozley to Lord Tenterden.—(Received February 27.)

My Lord, 31, *Lombard Street, London, February* 27, 1882.

IN compliance with your request, I beg to give you a brief summary of the statements I made to you in connection with the Varna Railway business.

The Varna Railway, as you are aware, demands from the Bulgarian Government the full settlement of their claims guaranteed, as they state, by the Berlin Treaty. For many reasons the negotiations between the Company and the Bulgarian Government have, so far, advanced but little.

Some months ago I interested myself in the matter, for the reason, amongst others, that my friends held a large stake in the Company.

A powerful syndicate of Paris bankers, with whom I am in correspondence, has negotiated a loan with the Bulgarian Government, a portion of the proceeds of which it is stipulated shall be reserved for the purchase of the Varna Railway.

The object of the Bulgarian Government in purchasing the railway would be that in the settlement of account with the Turkish Government they could probably, as owners of the property, set off the arrears due by Turkey to the bondholders against any proportion of the Turkish debt they may be called upon to pay; and, in addition to this, the bulk of the further proceeds of the above-mentioned loan is to be appropriated for the building and developing of other railways, of which system the present line would be part and parcel, the whole forming a valuable State property. There are many other reasons with which it is unnecessary to trouble you.

Knowing these facts, I have been for some time past endeavouring to obtain an offer from the Paris bankers for the purchase of the railway, which, of course, they could only do with the consent of the Bulgarian Government, whilst the Government, on the other hand, could not purchase without the co-operation of the banks. This failing, I proposed to obtain from the Company an offer to sell; neither side, however, would trust each other sufficiently to name a figure.

I have at last brought the matter to this point, that the Committee of the Varna bondholders, all being present, have passed a Resolution agreeing that in the event of my offering them 2,100,000*l.* in cash, or 2,280,000*l.* in 6 per cent. bonds of the Bulgarian State Loan, for the railway in its entirety, including arrears due, they would recommend the adoption of such offer to the Company, and use their influence to have it carried out; and the individual members of this Committee have assured me personally that they consider this a fair proposal, and will do all in their power to aid in its adoption.

Since seeing you this afternoon, a deputation of the Bondholders Committee, viz., Mr. Campbell, Chairman, Mr. Kennedy, and Mr. Phillips, waited on me by desire of the Committee, and stated that they have resolved to send Mr. Landau and Mr. Mavrogordato, two members of their body, as delegates to Sophia, and stated further that Sir Charles Dilke, with Lord Granville's sanction, is about to give them a letter of introduction to Mr. Lascelles; and being aware that Mr. Frederick Mozley, as my representative, is shortly going out, they wish to know whether I could co-operate with their delegates. I stated to them frankly, as is my belief, that their co-operation could in no way assist, and that I thought the political pressure they might endeavour to bring to bear would only complicate matters and interfere with the settlement which I wish to carry out on strictly commercial and financial principles.

Mr. Robert Campbell, the Chairman of the Committee of Bondholders, has offered to accompany me to-morrow, and I shall take the liberty of introducing him to your Lordship.

I have, &c.

(Signed) LEWIN MOZLEY.

No. 113.

Memorandum by Mr. Warburton respecting the Claims of the Varna Railway Company against the Bulgarian Government.

THE railway was constructed under a guarantee from the Turkish Government of a subsidy of 140,000*l.* a-year for thirty-three years, to be afterwards reduced.

The Turkish Government paid this regularly till 1874, inclusive—about two years before the Russian War broke out, when they were no longer able to pay.

By Article X of the Treaty of Berlin the obligations of Turkey to the Railway were transferred to Bulgaria from and after the date of the ratifications. The Article is annexed for reference:—

"ARTICLE X.

"La Bulgarie est substituée au Gouvernement Impérial Ottoman dans ses charges et obligations envers la Compagnie du Chemin de Fer de Roustchouk-Varna à partir de l'échange des ratifications du présent Traité. Le réglement des comptes antérieurs est réservé à une entente entre la Sublime Porte, le Gouvernement de la Principauté, et l'Administration de cette Compagnie.

"La Principauté de Bulgarie est de même substituée pour sa part aux engagements que la Sublime Porte a contractés tant envers l'Autriche-Hongrie qu'envers la Compagnie pour l'Exploitation des Chemins de Fer de la Turquie d'Europe, par rapport à l'achèvement at au raccordement ainsi qu'à l'exploitation des lignes ferrées situées sur son territoire.

"Les Conventions nécessaires pour régler ces questions seront conclues entre l'Autriche-Hongrie, la Porte, la Serbie, et la Principauté de Bulgarie immédiatement après la conclusion de la paix."

The Bulgarian Government have never paid a farthing of the subsidy and now owe the Company about three and a-half years, or about 490,000*l.*

The Company, in their Report of the 22nd September, 1880, say that the Government wanted them to suggest some measure—whether by capitalizing the arrears then due, or otherwise—which would enable them to satisfy the Company's claims for arrears without taking the amount out of the current revenue, thus admitting their obligation, but soon began to pretend they could not pay. Varna Railway Company, Report, September 29, 1880.

The Company then offered to submit to the decision of the Ambassadors at Constantinople of the Powers who signed the Treaty of Berlin, whether the Bulgarian Government were or were not able to pay the arrears due and continue to pay the annual subsidy. The Bulgarian Government would not accept this reference, as it would have been an admission of national bankruptcy; but they said they were willing to refer the question of the amount due to the Company to the Ambassadors on the basis of the value of the shares when the Treaty handed over the obligation from Turkey to Bulgaria. This value was little over *nil*, owing to the results of the war, damage to the railway, failure of Turkey to pay the subsidy, &c., and the Company, of course, refused to entertain the idea, but continued to abide by their offer to submit the question of their claims under the Treaty to the Ambassadors. We have been unable as yet to get a definite answer from the Bulgarian Government. They have endeavoured in every way to wriggle out of their obligations by proposing other bases which it would be impossible for the Company to accept, the last one being that the basis should be an arrangement similar to that made between Turkey and her bondholders. They also tried to make out that, by offering to accept arbitration, the Company had admitted that their rights under the Treaty were open to discussion. This argument, Mr. Lascelles was instructed to tell the Government, "Her Majesty's Government altogether repudiate." Varna Railway Company, March 16, 1881.

Mr. Lascelles, in his last despatch, dated the 12th January, said M. Voulcovitch had promised him to send shortly an answer to his note of the 15th October on the subject of the arbitration, but no answer has yet been received. To Mr. Lascelles, No. 34, Commercial, November 12, 1881.

Mr. Lascelles has, under instructions, from time to time strongly urged the claims of the Company, which, as the Company have pointed out, are secured to them by Treaty, and have, consequently, the character of an international obligation, the fulfilment of which they look to Her Majesty's Government to insist on.

(Signed) J. W. WARBURTON.

February 27, 1882.

P.S.—See Sir Julian Pauncefote's Minutes of the 20th February, 1881, and on Mr. Lascelles No. 15 of the 24th August, 1880, and No. 38 of the 15th October, 1881, and Varna Railway Company, January 6, 1881.

Besides these claims on the Bulgarian Government alone, there are claims for arrears of the subsidy for 1876, 1877, and 1878, immediately preceding the Berlin Treaty, and amounting to about 420,000*l.*, which have to be dealt with under Article X between the Porte, the Bulgarian Government, and the Company. This, however, is a separate question, and comes under the Political Department.

J. W. W.

No. 114.

Mr. Mozley to Lord Tenterden.—(*Received March* 1.)

Dear Lord Tenterden, *Reform Club, Pall Mall, February* 27, 1882.

I TAKE the liberty of writing to your private address that you may get my letter early, and employ my brother as my amanuensis to save you trouble, as my writing is not always very distinct.

After your courteous reception I feel it my duty to communicate facts which have come to my knowledge on the subject matter we discussed since I had the honour of seeing you. Soon after my return to Lombard Street I was waited on by a deputation of the Chairman and two members of the Varna Railway Bondholders Committee, who stated that the Committee had this morning passed a Resolution appointing Mr. Mavrogordato and a Mr. Landau, two of their body, as delegates to go to Vienna and Sophia on this business, and that Mr. Mavrogordato was to call by appointment on Sir Charles Dilke early to-morrow morning to receive letters addressed to Her Majesty's Representatives at these cities affording such delegates diplomatic support.

The object of the deputation was to ask me to work in unison with the delegates.

I stated frankly at once that, from my knowledge of the situation, I did not think the mission would be useful or successful, and that I did not see how, after the Resolution previously passed, and of which I made you cognizant, I could give them any definite promise of co-operation. My desire being to effect a settlement on an ordinary business basis without resort to diplomatic pressure.

This moment only I have a telegram from Paris that M. Fremy has returned expressly on being informed of the progress of my negotiations and that a meeting of the Syndicate of Paris Bankers, who have undertaken the Bulgarian Loan, has been called for to-morrow to consider my proposition.

Mr. Robert Campbell, the Chairman of the Bondholders Committee, and the largest holder in the Company, here or elsewhere, is most anxious for a settlement, and, seeing fully the force of my arguments, expressed a wish to accompany me on my visit to you to-morrow, and unless I hear from you to the contrary, I shall make free to bring him.

I have, &c.
(Signed) LEWIN MOZLEY.

No. 115.

Mr. Taylor to Earl Granville.—(*Received March* 2.)

Varna Railway Company, Offices, 56, New Broad Street,
My Lord, *London, February* 23, 1882.

THE bondholders being desirous to send a delegate to communicate with the Bulgarian Government with reference to their rights under the Treaty of Berlin, and having applied to the Council of Administration for their support, we beg to recommend him to your Lordship's consideration, but it must be understood that the gentleman so delegated by the bondholders does not supersede or interfere with the Commissioner already appointed by the Council of Administration under Article X of the Treaty of Berlin.

I have, &c.
(For self and colleagues),
(Signed) G. C. TAYLOR, *Chairman.*

No. 116.

Mr. Campbell to Earl Granville.—(*Received March* 2.)

Varna Railway Bondholders Committee, 19, Bishopsgate Street
My Lord, *Within, London, February* 28, 1882.

IN answer to your communication of the 28th January, inquiring whether the applications contained in my letters of the 17th and 30th December were made with the approval and sanction of the Board of Directors of this Company, I have the honour to inclose a letter to your Lordship, signed by the Chairman of the Board and giving assurance to that effect.

The Committee of Bondholders having decided to dispatch Mr. Hermann Landau as their delegate to Sophia to promote the settlement of the Varna Railway claims, I shall feel obliged if your Lordship would kindly furnish me with a letter to Mr. Lascelles asking him to give our delegate his support, and also a letter to the British Ambassador at Vienna, as our delegate may have occasion to negotiate with M. Voulcovitch, who, I understand, is at present in that city.

I am, &c.
(Signed) R. CAMPBELL, *Chairman.*

No. 117.

Earl Granville to Mr. Lascelles.

(No. 4. Commercial.)
Sir, *Foreign Office, March* 3, 1882.

I HAVE received your despatch No. 4, Commercial, of the 15th ultimo, reporting conversations which had passed between yourself and M. Stoïloff on the subject of M. Voulcovitch's answer to your note of the 15th October last respecting the claims of the Varna Railway Company, and I have to inform you that I entirely approve your action in this matter.

I am, &c.
(Signed) GRANVILLE.

No. 118.

Sir J. Pauncefote to Mr. Taylor.

Sir, *Foreign Office, March* 13, 1882.

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 23rd ultimo, which was forwarded to his Lordship by the Committee of the Varna Bondholders on the subject of the proposed mission to Sophia of a delegate of the Committee to negotiate with the Bulgarian Government respecting the claims of the Varna Railway Company.

I am to state to you, in reply, that if your Company will submit to his Lordship the name of any gentleman proceeding to Sophia to treat with the Bulgarian Government as the delegate of the Company, and for whom they desire to obtain as such the good offices of Her Majesty's Representative, Lord Granville will instruct Mr. Lascelles to give him such assistance in carrying out the object of his mission as he properly can, but his Lordship is not prepared to give any official introduction or recommendation to any gentleman representing indirect or derivative interests in the claims of the Company, and can only recognize the Company as entitled to treat with the Bulgarian Government.

The Committee of the Bondholders have been informed of the purport of this communication.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 119.

Sir J. Pauncefote to Mr. Campbell.

Foreign Office, March 13, 1882.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 28th ultimo, relative to the proposed mission of Mr. Landau to Sophia, as the delegate of the Committee of Bondholders of the Varna Railway Company to negotiate with the Bulgarian Government respecting the claims of the Company, and promote their settlement.

You inclose a letter addressed to his Lordship by the Varna Railway Company, in which, while recommending your delegate to his Lordship's consideration, they desire that it should be understood that the gentleman delegated by the Committee of Bondholders does not supersede or interfere with the Commissioner already appointed by the Council of Administration under Article X of the Treaty of Berlin.

I am directed by Lord Granville to state to you that the Company have been informed in reply to their letter that if they will submit to his Lordship the name of any gentleman proceeding to Sophia to treat with the Bulgarian Government as the delegate of the Company, and for whom they desire to obtain the good offices of Her Majesty's Representative, his Lordship will instruct Mr. Lascelles to give him such assistance in carrying out the object of his mission as he properly can, but his Lordship is not prepared to give any official introduction or recommendation to any gentleman representing indirect or derivative interests in the claims of the Company, and can only recognize the Company as entitled to treat with the Bulgarian Government.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

No. 120.

Mr. Lascelles to Earl Granville.—(Received March 14.)

(No. 5. Commercial.)

Sophia, March 1, 1882.

My Lord,

WITH reference to my despatch No. 4, Commercial, of the 15th ultimo, I have the honour to inclose a copy of a note which I have just received from M. Natchovitch, stating, in reply to the note which I addressed to M. Voulcovitch on the 15th October last, that the Bulgarian Government consents to submit the question in dispute between them and the Varna-Rustchuk Railway Company to the Signatory Powers of the Treaty of Berlin upon the following conditions: (1) that the Bulgarian Government shall have the right of sending Representatives to the Conference at Constantinople, to defend the rights of the Principality; and (2) that the Conference shall not meet for six months, in order that the Bulgarian Delegates may have time to study the question.

The Bulgarian Government also reserve to themselves the right of defending their interests in the manner which may be most suitable, without being opposed by any previous Resolution.

In a conversation which I had with M. Natchovitch yesterday, his Excellency communicated to me the substance of this note. I told his Excellency that I was sincerely glad to hear that the Bulgarian Government had decided to submit the question to the Ambassadors at Constantinople. I had always understood that each party would have the right of being represented, and of bringing forward whatever arguments they might think fit. It appeared to me that the delay of six months for which his Excellency asked was unnecessarily long, and that it was in the interest of the Bulgarian Government to have the question settled as soon as possible.

M. Natchovitch said that the question was a complicated one, and it would be necessary to obtain the services of capable men to represent the Bulgarian Government, and to allow them sufficient time to make themselves fully acquainted with the case. He had mentioned the term of six months in order to enable the Bulgarian Government to secure the services of such persons, but if he found that the time was longer than necessary, he would gladly agree to a shorter period.

I have, &c.

(Signed) FRANK C. LASCELLES.

Inclosure in No. 120.

M. Natchovitch to Mr. Lascelles.

Sophia, le $\frac{2}{14}$ *Février*, 1882.

M. l'Agent,

VOUS avez bien voulu, par votre lettre en date du 15 Octobre dernier, me communiquer les résolutions prises par la Compagnie du Chemin de Fer Roustchouk-Varna, ainsi qu'un extrait de la lettre que cette dernière a adressée à sa Seigneurie Lord Granville, Principal Secrétaire d'État de Sa Majesté Britannique, en réponse aux propositions faites par le Gouvernement Princier, relativement à ses obligations envers la Compagnie.

En réponse à cette lettre, j'ai l'honneur de vous annoncer que le Gouvernement Princier accepte la proposition que lui a fait le Gouvernement de Sa Majesté la Reine, et consent à porter la solution du litige entre lui et la dite Compagnie devant les Puissances Signataires du Traité de Berlin aux conditions suivantes:

Que le Gouvernement Princier aura le droit d'envoyer dans la Conférence à Constantinople des Représentants pour exposer ses griefs et défendre en toute liberté les droits de la Principauté vis-à-vis de la dite Compagnie;

Que la Conférence ne se réunira pas avant un délai de six mois, délai nécessaire aux délégués qui défendront les droits de la Principauté devant la dite Conférence d'étudier la question.

Le Gouvernement Bulgare ne met aucune autre condition à l'acceptation de l'arbitrage des Grandes Puissances, mais se réserve le droit de présenter la défense des intérêts de la Bulgarie comme il lui convient le mieux, sans qu'on ait le droit de lui opposer des résolutions antérieures.

Agréez, &c.

(Signé) G. D. NATCHOVITCH.

No. 121.

Sir Charles W. Dilke to Mr. Taylor.

Foreign Office, March 20, 1882.

Sir,

I AM directed by Earl Granville to inform you that Mr. Lascelles has at length received from M. Natchovitch the answer of the Bulgarian Government to his note of the 15th October last.

They state that they consent to submit the question in dispute between them and the Varna Railway Company to the Signatory Powers of the Treaty of Berlin, upon the following conditions:—

1. That the Bulgarian Government shall have the right of sending Representatives to the Conference at Constantinople, to defend the rights of the Principality; and

2. That the Conference shall not meet for six months, in order that the Bulgarian Delegates may have time to study the question.

The Bulgarian Government also reserve to themselves the right of defending their interests in the manner which may be most suitable without being opposed by any previous resolution.

Mr. Lascelles, in a conversation with M. Natchovitch, told his Excellency that it had always been understood that each party would have the right of being represented, and of bringing forward whatever arguments they might think fit.

Mr. Lascelles also observed that it appeared to him that the delay of six months for which the Bulgarian Government asked was unnecessarily long, and that it was in the interest of the Government to have the question settled as soon as possible. M. Natchovitch replied that the question was a complicated one, and it would be necessary to obtain the services of capable men to represent the Bulgarian Government, and to allow them sufficient time to make themselves fully acquainted with the case. He had mentioned the term of six months in order to enable his Government to secure the services of such persons; but if he found that the time was longer than necessary, he would gladly agree to a shorter period.

I am, &c.

(Signed) CHARLES W. DILKE.

No. 122.

Mr. Taylor to Earl Granville.—(*Received March* 22.)

Varna Railway Company, Offices, 56, New Broad Street,
London, March 22, 1882.

My Lord,

WE have the honour to acknowledge the receipt of your Lordship's despatch of the 20th instant, and are gratified to learn from it that the Bulgarian Government has consented to refer the question raised between that Government and this Company by the Xth clause of the Treaty of Berlin to the Ambassadors at Constantinople; but we are quite unable, considering all the negotiations which have already taken place, to appreciate the necessity of a further six months' delay, and we hope your Lordship will insist upon the reference being made as soon as practicable.

We further hope that your Lordship will take advantage of the opportunity now afforded to communicate with the other Signatory Powers, so that the Court may be duly prepared for the earliest possible consideration of this matter, which has so long been ripe for decision.

I have, &c.
(For self and colleagues),
(Signed) G. C. TAYLOR, *Chairman*.

No. 123.

Extract from the "Times" of March 30, 1882.

THE thirty-fourth half-yearly General Meeting of the Varna Railway Company was held yesterday at the City Terminus Hotel. Mr. George Cavendish Taylor presided, and, in moving the adoption of the report, referred with great regret to the death of Mr. John Trevor Barkley, and to the great loss which the Company had thus sustained, especially at this particular juncture of their affairs. As to the negotiations which had been going on concerning their Company, he would not refer to them in detail. Last September they were informed that the Turkish Government had promised to pay them by havalés one year's guarantee, 140,000*l*., but there had been a vast amount of delay and many excuses, and the promise had not been fulfilled. Within the last half hour, however, they had received a telegram from their agent at Constantinople. Having read the telegram, he stated that they took it to mean that the question of the havalés had been referred to the Council, that a majority of the Council were in favour of carrying it out, and that they might expect shortly to receive the ultimate reply of the Minister of Finance. However, in dealing with an Oriental, one never knew when the end of the matter had been reached. The principal subject with which they had to deal that day was the letter they had received from the Foreign Office, under date the 20th instant. Having quoted from the letter, and referred to the conditions on which the Bulgarian Government had at length consented to submit the question in dispute between them and the Company to the Signatory Powers of the Treaty of Berlin, he read the reply, which he forwarded to the Foreign Office on the 22nd instant, acknowledging the receipt of Lord Granville's despatch of the 20th instant. It expressed his gratification at learning "that the Bulgarian Government has consented to refer the question raised between that Government and this Company by the Xth clause of the Treaty of Berlin to the Ambassadors at Constantinople; but we are quite unable, considering all the negotiations which have already taken place, to appreciate the necessity of a further six months' delay, and we hope your Lordship will insist upon the reference being made as soon as practicable. We further hope that your Lordship will take advantage of the opportunity now afforded to communicate with the other Signatory Powers, so that the Court may be duly prepared for the earliest possible consideration of this matter, which has so long been ripe for decision." He took that reply to the Foreign Office himself, and had an interview with Sir Julian Pauncefote, who gave him to understand that the Foreign Office would write a strong letter on the subject to Mr. Lascelles, and also a communication to the Ambassadors at Constantinople, and try to put the whole thing in trim for hearing. The Hon. Robert W. Grosvenor having seconded the motion, considerable discussion followed. Mr. Landau moved the following resolution:—"That, in view of the last communication from the Bulgarian Government, Lord Granville be asked to receive a deputation, consisting of the Chairman, Mr. H. Parkinson Sharp, Mr. Charles Tottenham

Mr Campbell, Mr. Kennedy, and Mr. Phillips, to urge on his Lordship the desirability of his communicating with the other Signatories of the Treaty of Berlin, and to inform them of the last resolution come to by the Bulgarian Government, and also to request them to instruct their respective Ambassadors at Constantinople to act as referees, and to appoint a Conference for the purpose at as early a date as possible." He contended that the question was an international one, and that the Company were entitled to know what the Signatories of the Treaty of Berlin meant by the Xth clause. Mr. Kennedy having seconded the motion, other speakers pointed to the necessity of agitating the matter, everything in connection with the Berlin Treaty having been settled except the question concerning the Company and the Bulgarian Government. Mr. Surgey could not see the necessity for the Committee. The Directors were doing all they could to get the matter settled, and so was our Government, who stated in the letter from the Foreign Office of the 16th November that the Company's "rights are quite clear, and are secured by an international agreement." The Turkish Government owed the Company 573,000*l*., and the amount due to them by the Bulgarian Government was 120,000*l*. He urged that the Corporation of Foreign Bondholders should be requested to endeavour to settle their claims on the Bulgarian Government, and that the Company should endeavour to sell the line to that Government. Mr. C. H. Robinson urged that the matter should be left in the hands of the Directors. Mr. Hyde Clarke objected to the resolution of Mr. Landau. The Chairman, in reply, stated that the Foreign Office were now in communication with the Signatory Powers, through the Ambassadors at Constantinople, and were urging the Company's claims. He knew that Lord Granville was averse to receiving a deputation, and he had been told that his Lordship could do no more for them if he did. As to the revenues of Bulgaria, he understood that they were considerable, and he was informed that they might be largely increased by taxation. He had been told that Bulgaria was trying to raise a loan in Paris, but they would not be able to get it placed without settling with the Company. To send out to Sophia a delegate from the bondholders would do more harm than good, for if once the Bulgarian Government got an idea that the Company was ready to make a compromise or bargain with them their claims would never be settled. The Board did not see the necessity for the Resolution. The Report was adopted, and after some further discussion the motion of Mr. Landau was also carried on a show of hands by 19 to 11. Mr. Phillips then moved:—"That a fund be raised and placed at the disposal of the Committee of Bondholders for the purpose of defraying the expenses of their representative or delegate in connection with the reference about to be made to the Ambassadors at Constantinople." After some discussion Mr. Phillips consented to leave the motion with the Directors as a suggestion.

No. 124.

Earl Granville to Mr. Lascelles.

(No. 8. Commercial.)

Sir,

Foreign Office, April 6, 1882.

I RECEIVED your despatch No. 5, Commercial, of the 1st ultimo, inclosing the reply of the Bulgarian Government to your note of the 15th October last, accepting the offer of the Varna Railway Company to submit the claims of the Company under the Treaty of Berlin to the decision of the Ambassadors of the Signatory Powers at Constantinople, and I have caused the substance of M. Natchovitch's note to be communicated to the Company.

I have now to instruct you to express to the Bulgarian Government the satisfaction of Her Majesty's Government at their decision, and to inform them that Her Majesty's Government propose, with their concurrence, to take measures for ascertaining at once what is the earliest date at which the Representatives of the foreign Powers at Constantinople are willing and able to assemble for the purpose of the arbitration.

You will say that Her Majesty's Government trust that the Bulgarian Government will not think it necessary to press for the delay of six months which they propose for the purpose of instructing their Delegates in a matter which has been under consideration for so long a period, but that they will do their utmost to expedite its amicable and equitable solution, on the other conditions specified in M. Natchovitch's note of the 9th ultimo, which are accepted by the Company and approved by Her Majesty's Government.

I am, &c.
(Signed) GRANVILLE.

No. 125.

Sir Charles W. Dilke to Mr. Taylor.

Foreign Office, April 13, 1882.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 22nd March, and to inform you that instructions have been sent to Mr. Lascelles in the following sense:

He has been desired to express to the Bulgarian Government the satisfaction of Her Majesty's Government at their decision to accept the offer of the Varna Railway Company to submit their claims under the Treaty of Berlin to the decision of the Ambassadors of the Signatory Powers at Constantinople, and to inform them that Her Majesty's Government propose, with their concurrence, to take measures for ascertaining at once what is the earliest date at which the Representatives in question are willing and able to assemble for the purpose of the arbitration.

He will say that Her Majesty's Government trust that the Bulgarian Government will not think it necessary to press for the delay of six months which they propose for the purpose of instructing their Delegates in a matter which has been under consideration for so long a period, but that they will do their utmost to expedite its amicable and equitable solution on the conditions specified in M. Natchovitch's note, which are accepted by the Company and approved by Her Majesty's Government.

I am, &c.

(Signed) CHARLES W. DILKE.

No. 126.

Mr. Taylor to Earl Granville.—(Received April 28.)

Varna Railway Company, Offices, 56, *New Broad Street, London, April* 27, 1882.

My Lord,

I HAVE the honour to acknowledge the receipt of and to thank your Lordship for your communication of the 13th instant.

I take this opportunity of forwarding to your Lordship a copy of a Resolution passed at a General Meeting of shareholders of this Company held on the 29th ultimo, and in compliance therewith beg to inquire whether your Lordship will be pleased to receive the said deputation, and to appoint a time for so doing.

I have, &c.

(For self and colleagues),

(Signed) G. C. TAYLOR, *Chairman.*

Inclosure in No. 126.

Extract from General Meeting Minutes of March 29, 1882.

MOVED by Mr. H. Landau, seconded by Mr. H. M. Robertson, and carried:

That, in view of the last communication from the Bulgarian Government, Lord Granville be asked to receive a deputation consisting of the Chairman (Mr. Taylor), Mr. Sharp, and Mr. Tottenham (Directors), Mr. R. Campbell, Mr. S. Kennedy, and Mr. L. Phillips (members of the Varna Railway Bondholders Committee), to urge upon his Lordship the desirability of his communicating with the other Signatories of the Treaty of Berlin, and to inform them of the last Resolution come to by the Bulgarian Government, and also to request them to instruct their respective Ambassadors at Constantinople to act as referees, and to appoint a Conference for the purpose on as early a date as possible.

(Signed) L. F. WALSH, *Secretary.*

No. 127.

Mr. Lascelles to Earl Granville.—(Received May 1.)

(No. 9. Commercial.)

My Lord,

Sophia, April 18, 1882.

I HAVE the honour to inclose a copy of a note which, in obedience to the instructions contained in your Lordship's despatch No. 8, Commercial, of the 6th instant, I have addressed to M. Stoïloff, the Acting Minister for Foreign Affairs, on the subject of the submission of the claims of the Varna Railway Company to the decision of the Ambassadors of the Signatory Powers at Constantinople.

Before sending this note I had a conversation with M. Stoïloff, who observed that he did not think there would be any difficulty in agreeing to a diminution of the period of six months suggested by M. Natchovitch in his note of the 9th ultimo, more especially as M. Harrower, who has lately been employed as one of the Bulgarian Representatives on the "Commission à quatre" at Vienna, and who has a thorough knowledge of all the questions connected with the Varna Railway, would probably be selected as one of the Bulgarian Delegates to the Conference at Constantinople.

M. Stoïloff went on to say that a proposal had been made to M. Vouleovitch at Vienna by Mr. Mozley, the representative of the bondholders, that the Bulgarian Government should purchase the line. The terms proposed appeared to be favourable to the Bulgarian Government, and ought, in his opinion, to be accepted if, by so doing, the Bulgarian Government could obtain possession of the line, and get rid of the Working Company to whom the line was leased.

I told M. Stoïloff that I was certain that Her Majesty's Government would consent to any proposal which would settle the question in a satisfactory manner; but I reminded him that the bondholders were in the position of creditors of the Company, and that I had no official knowledge of the proposal to which he referred having been accepted by the Company.

I have, &c.

(Signed) FRANK C. LASCELLES.

Inclosure in No. 127.

Mr. Lascelles to M. Stoïloff.

M. le Gérant,

Sophie, le 18 *Avril,* 1882.

JE n'ai pas manqué de transmettre au Principal Secrétaire d'État de Sa Majesté pour les Affaires Étrangères la note que son Excellence M. Natchovitch, Gérant du Ministère des Affaires Étrangères, m'a fait l'honneur de m'adresser en date du 9 Mars, et je suis maintenant chargé par le Comte Granville de vous exprimer la satisfaction avec laquelle le Gouvernement de Sa Majesté a appris la décision du Gouvernement Princier de soumettre la question de ses obligations envers la Compagnie du Chemin de Fer de Roustchouk-Varna à l'arbitrage des Ambassadeurs des Puissances Signataires du Traité de Berlin à Constantinople.

Le Gouvernement de Sa Majesté se propose de prendre des mesures, avec l'assentiment du Gouvernement de Son Altesse, pour s'informer aussitôt que possible de la date la plus rapprochée à laquelle les Représentants des Puissances à Constantinople se trouveraient à même de se réunir pour procéder à l'arbitrage.

Lord Granville m'a chargé en même temps d'exprimer l'espoir du Gouvernement de Sa Majesté que le Gouvernement de Son Altesse ne croira pas nécessaire d'insister sur le délai de six mois proposé par M. Natchovitch dans le but de donner du temps aux Délégués de la Principauté d'étudier une question à laquelle l'attention du Gouvernement a été attirée depuis si longtemps.

Le Gouvernement de Sa Majesté aime à croire que le Gouvernement de Son Altesse fera tout son possible pour faciliter une solution amicale et équitable de cette question sur les autres conditions mentionnées dans la note de M. Natchovitch du 9 Mars, qui sont acceptées par la Compagnie et approuvées par le Gouvernement de Sa Majesté.

Je profite, &c.

(Signé) FRANK C. LASCELLES.

No. 128.

Earl Granville to Mr. Lascelles.

(No. 10. Commercial.)

Foreign Office, May 10, 1882.

Sir,

I HAVE received your despatch No. 9, Commercial, of the 18th ultimo, inclosing copy of your note to the Bulgarian Government on the subject of the submission of the claims of the Varna Railway Company to the decision of the Ambassadors of the Signatory Powers at Constantinople, and reporting a conversation which you had on the subject with M. Stoïloff, and I have to inform you that I approve the terms of your note and the language which you held to M. Stoïloff on the occasion referred to.

I have to instruct you to press for an early reply to your communication, as it is necessary that it should be received before Her Majesty's Government can address the Powers, requesting the good offices of their Ambassadors as Arbitrators.

I am, &c.

(Signed) GRANVILLE.

No. 129.

Sir Charles W. Dilke to Mr. Lascelles.

(No. 11. Commercial.)

(Telegraphic.)

Foreign Office, May 10, 1882.

YOUR No. 9, Commercial, of the 18th April.

Press for immediate reply to your note of the 18th April respecting Varna Railway Company.

No. 130.

Mr. Lascelles to Sir Charles W. Dilke.—(Received May 12, 11·15 A.M.)

(No. 6.)

(Telegraphic.)

Sophia, May 11, 1882, 8·40 P.M.

YOUR telegram of yesterday.

I have received reply to my note of 18th ultimo. Bulgarian Government agree to measures being taken to ascertain when Conference at Constantinople can meet, but they maintain delay of six months. Minister for Foreign Affairs informs me verbally that he hopes the delay may be shortened.

No. 131.

Sir Charles W. Dilke to Mr. Taylor.

Foreign Office, May 11, 1882.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 27th ultimo, inclosing copy of a Resolution passed at a general meeting of the shareholders of the Varna Railway Company, and requesting his Lordship to grant an interview to a deputation of the shareholders and bondholders.

In reply, I am to state to you that Her Majesty's Government are awaiting the official answer to the communication which, as you were informed in my letter of the 13th ultimo, Mr. Lascelles was instructed to make to the Bulgarian Government, as to inviting the Signatory Powers to authorize their Ambassadors at Constantinople to act as Arbitrators between that Government and the Company, and that Mr. Lascelles has been again instructed to press for an immediate reply to his note.

It will be seen, therefore, that Lord Granville has anticipated the wishes of the Company as stated in the Resolution inclosed in your letter; and his Lordship is of opinion that the interview for which you ask can serve no useful purpose.

I am, &c.

(Signed) CHARLES W. DILKE.

No. 132.

Mr. Lascelles to Earl Granville.—(Received May 29.)

(No. 11. Commercial.)

Sophia, May 14, 1882.

My Lord,

WITH reference to my despatch No. 9, Commercial, of the 18th ultimo, I have the honour to inclose a copy of a note which I have received from M. Natchovitch in reply to the note which I addressed to M. Stoïloff on the 18th ultimo, relative to the question of the claims of Varna-Rustchuk Railway Company.

M. Natchovitch, in expressing the thanks of the Bulgarian Government for my communication, requests me to inform your Lordship that they entirely agree to the proposal that Her Majesty's Government should come to an understanding with the Powers as to the time of meeting of the Conference at Constantinople. But his Excellency adds that the delay of six months which was asked for by the Bulgarian Government must be maintained, in order to give time to the Bulgarian Government to find persons properly qualified to represent the interests of the Principality, and to enable such persons to study the question.

I have told M. Natchovitch that I regretted that the Bulgarian Government should have thought it necessary to insist on this delay, more especially as M. Harrower, who, I understood, would be one of their Delegates, was perfectly acquainted with the whole question.

His Excellency replied that if it were found possible to shorten this delay he would be glad to do so.

Upon the receipt this morning of your Lordship's telegram of yesterday I again called upon his Excellency and urged that the delay should be shortened. He replied that he had been in consultation with M. Queillé, the French Inspector of Finance, who seemed to think that six months was a longer period than necessary. His Excellency therefore hoped that he might soon be in a position to inform me that the Bulgarian Government was prepared to agree to a shorter delay.

I have, &c.

(Signed) FRANK C. LASCELLES.

Inclosure in No. 132.

M. Natchovitch to Mr. Lascelles.

Sophia, le $\frac{8}{18}$ *Mai*, 1882.

M. l'Agent,

PAR la lettre que vous m'avez fait l'honneur de m'écrire en date du 18 Avril dernier, vous voulez bien me faire part de vos obligeantes démarches auprès du Gouvernement de Sa Majesté Britannique, relativement à la question des chemins de fer de Roustchouk, et de la réponse satisfaisante que vous avez reçue de M. le Comte Granville sur cette question.

Or, tout en vous priant d'agréer les remercîments du Gouvernement Princier pour l'empressement avec lequel vous avez cherché, dans cette affaire, de lever les obstacles d'une entente, j'ai l'honneur de vous informer, M. l'Agent, que le Gouvernement de son Altesse est parfaitement d'accord que le Cabinet de Londres veuille bien s'entendre avec les autres Puissances, sur l'époque à laquelle la Conférence pourra se réunir. Quant au délai de six mois demandé, veuillez me permettre de vous observer que ce délai doit être maintenu, ayant été reconnu indispensable au Gouvernement Princier pour trouver le personnel propre à défendre les intérêts Bulgares devant la dite Conférence et pour que nos Délégués aient le temps nécessaire d'étudier, et de se familiariser avec la question qu'ils seront chargés de traiter.

Veuillez, &c.

(Signé) G. D. NATCHOVITCH.

No. 133.

Mr. R. J. Kennedy to Earl Granville.—(Received May 29.)

(No. 12. Commercial.)

Sophia, May 19, 1882.

My Lord,

WITH reference to Mr. Lascelles' despatch No. 11, Commercial, of the 14th instant, I have the honour to state that, taking advantage of a visit which M. Stoïloff,

the Chief of the Prince's Political Cabinet, was good enough to pay me yesterday, I urged him to use his influence in order to have the delay of six months asked by the Bulgarian Government preparatory to the meeting of the Conference on the Varna-Rustchuk Railway question shortened as much as possible.

M. Stoïloff admitted that the time appeared unnecessarily long, and promised to speak in that sense to M. Natchovitch.

He then alluded to the proposals which Mr. Mozley, the delegate of the Bond-holders Committee, had made to the Bulgarian Government with a view to the purchase of the railway by the latter from the Company.

I replied that, although I was fully aware of the nature of these proposals, I had no authority to support them, nor could I express any opinion with regard to them; but I added that if the Bulgarian Government contemplated settling this question by a private arrangement with the Company, they ought, I ventured to think, to do so before the meeting of the Conference.

M. Stoïloff maintained that his Government and the Railway Company are in the position of two litigants, who at any time previous to a decision being given are at liberty to announce that they have settled their dispute out of court, but added that it was very unlikely the Bulgarian Government would delay giving a definite answer to the proposals submitted to them beyond the period necessary for the conclusion of the arrangements with regard to the Conference.

This morning M. Natchovitch informed me that M. Stoïloff, in accordance with the promise made to me, had spoken to him with the view of obtaining a curtailment of the six months' delay, and that he himself, as he had already informed Mr. Lascelles, was most anxious to have the question settled as soon as possible. The chief difficulty, his Excellency continued, lay in the fact that the Government have no Commissioner at hand to whom they can intrust their interests before a Conference of Ambassadors in so important a question, and they therefore intend to obtain one from abroad, who will not only require some time to study the case, but who may not be in a position to undertake it at once. His Excellency added that M. Harrower would probably be the Assistant Commissioner.

M. Natchovitch, in conclusion, authorized me to inform your Lordship that as soon as M. Queillé's report on the question, which he expected next week at latest, had been received, he would take steps for appointing a Commissioner, and that the Bulgarian Government would agree to the meeting of the Conference as soon as their Representative announces that he is prepared to appear before it.

I have, &c.
(Signed) ROBT. J. KENNEDY.

No. 134.

Earl Granville to Mr. R. J. Kennedy.

(No. 14. Commercial.)
Foreign Office, June 9, 1882.

Sir,

WITH reference to Mr. Lascelles' despatch No. 5, Commercial, of the 1st March, inclosing copy of a note from the Bulgarian Government accepting the proposal of the Varna Railway Company to refer the Company's claims under the Treaty of Berlin to the decision of the Ambassadors of the Signatory Powers at Constantinople, I transmit to you herewith draft of a despatch which I propose to address to Her Majesty's Representatives to those Powers, instructing them to invite the Governments to which they are severally accredited to authorize their Ambassadors at Constantinople to undertake the arbitration.

I have to instruct you to show this draft to the Bulgarian Government, and to ask them to address a similar invitation to the Powers through their Representatives at Sophia, and, at the same time, inquire what course of procedure they suggest.

You will request the Bulgarian Government to give an early answer to this communication.

I am, &c.
(Signed) GRANVILLE.

Inclosure in No. 134.

Draft Despatch to Her Majesty's Ambassadors at Berlin, Paris, Rome, St. Petersburgh, and Vienna.

(Commercial.)
My Lord,
Sir, *Foreign Office, June , 1882.*

IN 1861 a concession was granted by the Sublime Porte for the construction of a railway from Varna to Rustchuk. The concession was for ninety-nine years, and the Porte guaranteed annual interest, calculated on an expenditure of 2,000,000*l.*, of 140,000*l.* for the first thirty-three years, of 120,000*l.* for the second period of thirty-three years, and 100,000*l.* for the third period of thirty-three years.

The line was completed and opened in 1867, and the guaranteed interest was paid for the succeeding years up to and inclusive of the year ended the 30th June, 1874, when payments ceased.

By Article X of the Treaty of Berlin of the 13th July, 1878, the obligations of the Ottoman Government towards the Company were transferred to Bulgaria, to date from the ratification of the Treaty, which took place on the 3rd August of the same year; and by the same Article it was stipulated that the arrears due up to that date should be settled by arrangement between the Porte, the Bulgarian Government, and the Railway Company.

The Porte, having recognized its liability to pay the arrears of interest due for the year ended the 30th June, 1875, promised last year to pay the amount in "havalés," or orders on the local Treasuries for the sum of 140,000*l.*; but no arrangement has yet been come to between the Porte, the Government of Bulgaria, and the Company as regards the arrears due for the period between the 30th June, 1875, and the date of the ratification of the Treaty of Berlin.

The Bulgarian Government have hitherto failed to pay any portion of the annual sum due to the Company since the date of the ratification of the Treaty, and have disputed their liability to do so.

During the course of last year, the Railway Company having offered to submit to the decision of the Ambassadors at Constantinople of the Powers who signed the Treaty of Berlin the questions in dispute between themselves and the Bulgarian Government, the latter consented to submit to their decision the question, "What is the amount of the obligations laid on Bulgaria as regards the railway by the Treaty of Berlin?"

To this reference the Company agreed on the following conditions:—

"1. That the terms of reference to the Powers be definitely stated in writing by the Bulgarian Government, and officially communicated to Her Britannic Majesty's Diplomatic Agent at Sophia.

"2. That these terms shall contain nothing which may be construed or understood to be derogatory of the rights and position secured to the Company by Article X of the Berlin Treaty.

"3. That the Bulgarian Government officially agree to abide by and give immediate effect to the decision or award of the Ambassadors."

The Bulgarian Government have agreed to these terms on condition that they should have the right of sending Representatives to the Conference at Constantinople to state their case and to defend the rights of the Principality as against the Company, and that the Conference should not meet for six months, in order that the Delegates appointed to defend the interests of the Principality might have time to study the question.

I have now, therefore, to request your Excellency to address a note to the Government, explaining shortly the circumstances of the case, and asking them to authorize their Ambassador at Constantinople to undertake the proposed arbitration.

A similar despatch has been addressed to Her Majesty's Ambassador at , and in the event of the Powers consenting to the proposed arbitration, it will remain for the Company to present their claim and their Case in support of it, and for the Bulgarian Government to present their Case to the Arbitrators, who will doubtless arrange together the time of meeting.

The date of the Bulgarian note accepting the proposed reference to the Ambassadors is the $\frac{9th}{21st}$ February, and the date at which the arbitration will take place will therefore be the $\frac{9th}{21st}$ August, if the Bulgarian Government do not consent to an earlier one, which they have promised to do, should it be found possible.

I am, &c.

No. 135.

Mr. R. J. Kennedy to Earl Granville.—(Received June 12.)

(No. 13. Commercial.)
My Lord, *Sophia, June 2, 1882.*

I HAVE the honour to state that yesterday I asked the Acting Minister for Foreign Affairs what progress was being made with regard to the arrangements for bringing the Varna-Rustchuk Railway question before a Conference of Ambassadors at Constantinople.

M. Natchovitch replied by asking whether Her Majesty's Government would object to seeing the question settled privately between the Bulgarian Government and the Railway Company.

I said that the object Her Majesty's Government has in view is to obtain a solution of the question in a manner favourable to the Company at as early a date as possible, and that if the latter could, by private arrangement, obtain terms satisfactory to themselves, the result would be gratifying to your Lordship.

M. Natchovitch then informed me that he had written officially to Mr. Mozley, the delegate of the Bondholders Committee to the effect that the Bulgarian Government is prepared to enter into negotiations with him on the basis of the proposals submitted by him, provided that he is furnished with full powers, and that he undertakes, in the name of the Company, that Baron Hirsch shall sever his connection with the railway in order that, in the event of their purchasing it, the Bulgarian Government may at once enter into full possession and enjoyment of their property.

M. Natchovitch begged me, however, clearly to understand that the Bulgarian Government still contemplates laying the matter before the Conference, and that they propose to carry on their negotiations with the delegate of the Bondholders Committee without prejudice to their right of eventually, if necessary, submitting the case to the Ambassadors at Constantinople.

I fear that if they enter into negotiations with Mr. Mozley there is but little hope of the Bulgarian Government taking serious steps to bring the question before the Conference at an earlier date than is absolutely necessary.

I have, &c.
(Signed) ROBT. J. KENNEDY.

No. 136.

Earl Granville to Mr. R. J. Kennedy.

(Commercial.)
(Telegraphic.) *Foreign Office, June 13, 1882, 1·40 P.M.*

In my despatch No. 14, Commercial, of the 9th June, last paragraph, for the words, "invite them to send a similar Circular to their Representatives to the Powers," substitute the words, "ask them to address a similar invitation to the Powers through their Representatives at Sophia."

No. 137.

Mr. R. J. Kennedy to Earl Granville.—(Received July 10.)

(No. 15. Commercial.)
My Lord, *Sophia, June 30, 1882.*

I HAVE the honour to state that I received, on the 27th instant, your Lordship's despatch of No. 14, Commercial, of the 7th instant, instructing me to ask the Bulgarian Government to issue through the Representatives of the Great Powers at Sophia, in the same manner as your Lordship proposed doing through Her Majesty's Ambassadors, an invitation to their respective Governments in order that the Ambassadors of the latter at Constantinople may be authorized to act as Arbitrators at the Conference which is to decide upon the matters in dispute relative to the Varna-Rustchuk Railway question.

M. Voulcovitch, who can scarcely conceal the annoyance he feels at M. Natchovitch having yielded to Mr. Lascelles' representations, and consented, in the name of the Bulgarian Government to accept the Conference, raised various difficulties as to the terms

of reference, and he personally objected to the arrears due for the period between the 30th June, 1875, and the date of ratification of the Treaty of Berlin being brought before the Ambassadors.

I told M. Voulcovitch that the question under discussion was not whether there should or should not be a Conference; this, subject to two conditions on the part of the Bulgarian Government, had been accepted by the latter. What I was instructed to ask his Excellency was whether the Bulgarian Government would issue an invitation to the Powers similar to that which Her Majesty's Government proposed, and whether his Excellency would make arrangements for enabling the Ambassadors to meet in Conference on or before the 5th August.

M. Voulcovitch asked if the delay of six months could not be extended in order that the Bulgarian Government might be enabled to carry on their private negotiations with the delegate of the foreign bondholders which his Excellency, as well as all his colleagues, were sincerely anxious to bring to a successful termination.

I said that I had no authority to grant a prolongation of the delay; on the contrary, Her Majesty's Government are most anxious that the period should, if possible, be shortened, and it appeared to me that the Bulgarian Government have had ample and still have sufficient time to settle the question out of court should they be in a position to do so.

His Excellency told me that he would consult his colleagues and give me an early answer.

I have, &c.
(Signed) ROBT. J. KENNEDY.

P.S.—Since writing the above M. Voulcovitch has called on me to say that the promised answer would probably be delayed in consequence of the arrival of the new Russian Minister, but he assured me that he would do everything in his power to prevent any unnecessary delay in the drafting of the invitation to the Representatives of the Great Powers at Sophia, and that he would not fail to show the draft to Her Majesty's Government before the invitations were sent out.

R. J. K.

No. 138.

Mr. R. J. Kennedy to Mr. C. M. Kennedy.—(Received July .)

Dear Mr. Kennedy, *Sophia, July 1, 1882.*

I HOPE that you will allow me to correspond with you privately on the subject of the Varna-Rustchuk Railway question, as by this means I can better explain the present state of affairs.

The Bulgarian Government are most anxious to settle the matter privately by purchasing the railway, and the delegate of the Bondholders Committee (who has not yet got full powers), Mr. Mozley, says that he can be authorized to negotiate the sale of the railway, and that his principals are prepared to arrange with Baron Hirsch to sever his connection with the railway, provided that the Government give him some assurance that his figures will, subject to some small deductions for "expenses," be accepted. The amount is, I understand, 2,100,000*l.* in cash, or 2,180,000*l.* in 6 per cent. bonds.

The Government decline to name the price until they have undoubted proof that Baron Hirsch has been "arranged;" Mr. Mozley declines to "arrange" with Baron Hirsch until his figures are accepted; and thus both parties, who appear to be most anxious to settle with each other, being mutually afraid of one another, things remain at a standstill.

Whenever M. Natchovitch or M. Voulcovitch have alluded to Mr. Mozley's proposals, I have most carefully explained that I know nothing officially about them. My instructions are simply to press for for an early meeting of the Conference, and I have repeatedly warned them that the delay of six months is rapidly slipping away. I believe that M. Voulcovitch suspects that Mr. Mozley is merely trying to get the Bulgarian Government to name a price, which will eventually be used against them at the Conference. If some means could be found to bring the two negotiating parties together, I think, so far as the Bulgarian Government are concerned, that the matter would be settled.

In the meanwhile, I am pressing for the Conference, but I am afraid that M. Voulcovitch will lose no opportunity of thwarting the wishes of the Foreign Office in this

respect. He is evidently extremely vexed at its having been agreed to by M. Natchovitch, and he has pointed out to me that it would be a real advantage to the Government to settle the question privately, if they are afforded the necessary time, as they would then, even if they paid somewhat dearly for the privilege, at once enter into possession of their own, whereas, no matter what favourable terms they might obtain at the Conference, they could not get possession till the expiration of the ninety-nine years' concession.

Believe me, &c.
(Signed) ROBT. J. KENNEDY.

P.S.—Since writing the above, M. Voulcovitch has called to say that the draft invitation would be prepared in a few days, as soon as the new Russian Minister, who arrived to-day, had examined the question. He promised, before sending it out, to let me submit it to Lord Granville, and declared that the Bulgarian Government would make all necessary arrangements for the meeting of the Conference at the period mentioned.

R. J. K.

No. 139.

Mr. Mozley to Mr. Lascelles.—(*Communicated to Earl Granville by Mr. Lascelles, July* 13.)

My dear Sir, *Reform Club, Pall Mall, July* 13, 1882.

I CALLED on you yesterday, and found you would be away until some time to-day. You may like to know that the meeting of bond and share holders, called to-day by the Committee, were quite unanimous in giving power to the latter to settle on my proposed basis, and that the Directors and the Committee are now at length united in their desire to support me.

Mr. Norton is advising both the Board and the Committee, and has drawn up the Résolutions that were proposed, and also has approved the letter which my solicitor has submitted for the Board to sign on Wednesday, giving approval to my cousin's past and future action, under certain restrictions.

Just before the meeting to-day I received a message, saying:—

"After hard fight the Bulgarian Government accedes to your proposition. Will fix figure after receipt of powers. Kennedy begs me say Prince to peasant desire arrangement without Hirsch. Shall require an international lawyer. Prince gives me special audience to-morrow."

This all looks like business.

I write in great haste, but am anxious to let you know how we go on.

Yours, &c.
(Signed) LEWIN MOZLEY.

No. 140.

Earl Granville to Mr. R. J. Kennedy.

(No. 18. Commercial.)

Sir, *Foreign Office, July* 15, 1882.

I HAVE received your despatch No. 15, Commercial, of the 30th ultimo, reporting a conversation which you had held with M. Voulcovitch respecting the Varna Railway question, and I approve your language to his Excellency on that occasion.

I shall wait until I hear from you that the Bulgarian Government are ready to send off the note which they propose to address to the foreign Representatives at Sophia before sending to Her Majesty's Representatives the note of which the draft was inclosed in my despatch No. 14, Commercial, of the 9th ultimo; but I hope to hear that the Bulgarian Government will be ready to dispatch their note in a week or ten days from this date.

I am, &c.
(Signed) GRANVILLE.

No. 141.

Sir Charles W. Dilke to Mr. Taylor.

Sir, *Foreign Office, July* 15, 1882.

WITH reference to my letter of the 11th May, I am directed by Earl Granville to state to you, for the information of the Varna Railway Company, that, in a despatch dated the 30th ultimo, Her Majesty's Chargé d'Affaires at Sophia reported that, on the same day, M. Voulcovitch had assured him that he would do everything in his power to prevent any unnecessary delay in the drafting of the invitation to the Representatives of the Great Powers at Sophia to allow the claims of the Company to be submitted to the decision of their Representatives at Constantinople.

I am, &c.
(Signed) CHARLES W. DILKE.

No. 142.

Mr. R. J. Kennedy to Mr. C. M. Kennedy.—(*Received July* 25.)

Dear Mr. Kennedy, *Sophia, July* 15, 1882.

EVER since my last letter and despatch on the Varna-Rustchuk Railway question I have been trying to get a reply from the Bulgarian Government, but without success. M. Voulcovitch has on several occasions given me the most formal assurance that it was on the point of being sent in to me, and yesterday he promised to let me have it this morning without fail, as it was quite ready and only had to be finally approved by a Council of Ministers. He told me that the draft invitation was couched in very nearly similar terms to the one which Lord Granville proposes sending out, with the exception of the part relating to the arrears between 1875–78, which the Bulgarian Government omit. I said that the Conference had to decide upon the interpretation of the whole Xth Article, but he maintains that as the money question for the period before the Treaty of Berlin is, according to the Xth Article, to be settled by an arrangement between the Porte, Bulgaria, and the Company, and as no attempt has yet been made to come to a settlement, and the Porte has never expressed its willingness to abide by the decision of the Conference, he did not see how that particular question could be placed before the Ambassadors. The Bulgarian Government, therefore, in their note intend merely to ask the Ambassadors to decide what amount Bulgaria should pay the Company from the date of the Treaty of Berlin. I told M. Voulcovitch that I should transmit the draft to the Foreign Office as soon as I received it. I cannot, however, place the slightest reliance on anything he says; he tells the most open and barefaced falsehoods, and all the Agents complain most bitterly of him, and say that it is quite impossible to do business with him.

I do not think the Bulgarian Government are in the least prepared to go before the Conference. They are sending off a Commission, consisting of M. Harrower and two other experts, to examine the line and to prove that it never could have cost even 1,000,000*l.*, and that the Company's claim is therefore outrageous. They have not yet secured an advocate to represent them, and when M. Voulcovitch yesterday inadvertently admitted this, and I told him that the six months' delay had been granted at the special request of the Bulgarian Government in order that they might have time to secure a good advocate, and that the latter might have leisure to study the question, he replied that the Government had been engaged during that period in getting the question into such a shape that the advocate would have no difficulty in mastering it in a few days.

About a week ago the Prince alluded of his own accord in conversation with me to the question. He said it was an "affaire épouvantable," and that he thought it would go hard with Bulgaria at the Conference, for he feared that she would be called upon to pay heavily, and be left with "Hirsch sur le dos." His Highness thought it very unjust that Bulgaria, which is struggling to maintain its existence, its credit, and its reputation in Europe, should be saddled with the consequences of Turkey's past follies, and that the Great Powers never could have meant to crush Bulgaria with debts, not of her own making, at the very beginning of her life.

I replied that these were arguments which could effectually be used at the Conference, and that the Ambassadors of the Great Powers which had created Bulgaria would never come to a decision unjust to her or which would press unfairly heavily

upon her. The Prince said that the Conference could never free Bulgaria from the incubus of Baron Hirsch, whose name "stank in the nostrils of every Bulgarian peasant;" and if the Government were to announce to the Chamber that they had paid a heavy sum for the railway—perhaps double of what it was worth—and that it still remained in the hands of Baron Hirsch, it would be impossible even to obtain, in future, their sanction to new railways which His Highness is most anxious to get constructed. "For this reason," continued His Highness, "I would like to see the arrangement with Mr. Mozley concluded; the money is with me a secondary consideration; let him get rid of Baron Hirsch, and Bulgaria will pay anything." I told the Prince that Mozley required some assurance, before negotiating with Hirsch, that his figures would be agreed to; but that I had nothing to do officially with him, and that my sole duty was to press on the Conference. The conversation then dropped.

Since then Mr. Mozley has had repeated interviews with M. Voulcovitch, at the request of the latter, as well as with the other Ministers, and arrangements have been made that letters shall be exchanged saying that the negotiations are to be without prejudice in case the question should after all be carried before the Conference; and as soon as Mr. Mozley produces his full powers his figures are to be fixed, a certain time is to be given to arrange with Hirsch, and that the Bulgarian Government and the Company shall mutually agree to obtain a postponement of the Conference. At the last moment the hearts of the Ministers have failed them, and although Mr. Mozley has been repeatedly told that his papers are ready, and although he has four times had a carriage ready in which to send off his secretary with them, he has not yet obtained them.

There have been repeated Councils of Ministers, but nothing has yet been settled, although Mr. Mozley has written to say that he would much sooner break off negotiations than go on in this way.

I am still in hopes that a satisfactory settlement may be come to, as the Prince sent for Voulcovitch to-day, and said that he was ashamed to see Mr. Mozley after the way in which he is being treated by the Ministers, and that something must be settled one way or the other.

I am afraid you will find this a long and tedious letter, but I could not explain the matter clearly in a shorter space, and I think I can make the state of the affair plainer in a private letter than in an official despatch.

Believe me, &c.
(Signed) ROBT. J. KENNEDY.

No. 143.

Mr. R. J. Kennedy to Earl Granville.—(Received July 26.)

(No. 19. Commercial.)
Sophia, July 18, 1882.

My Lord,

WITH reference to my despatch No. 15, Commercial, of the 30th ultimo, I have the honour to transmit copy of a note which I have received from M. Voulcovitch, containing the draft invitation which the Bulgarian Government proposes addressing to the Representatives at Sophia of the Great Powers asking that the Ambassadors of the latter at Constantinople may be authorized to take part as Arbitrators in a Conference which is to decide the questions in dispute between the Bulgarian Government and the Varna-Rustchuk Railway Company.

The Bulgarian Government, as your Lordship will see, omit all reference to the arrears due for the period between 1875 and the date of the Treaty of Berlin, on the ground, M. Voulcovitch tells me, that, according to the Treaty of Berlin, these should be settled by a private arrangement between the Porte, Bulgaria, and the Company; that no attempt has yet been made to fulfil this obligation, and that it would therefore be premature to ask the Conference to decide upon a question which may very possibly be amicably settled between the three contending parties. The Bulgarian Government do not consider that the Conference should be asked to interpret the meaning of the whole of the Xth Article of the Treaty in so far as it concerns the Varna-Rustchuck Railway Company, but to decide what amount Bulgaria can equitably be called upon to pay to the Company since she has been substituted for Turkey.

I have also the honour of stating that a Commission, consisting of M. Harrower and two other experts, has left Sophia to inspect the line of railway, to report upon its present state, and, I believe, to estimate the original cost of its construction.

I have acknowledged the receipt of M. Voulcovitch's note, and informed his Excellency that I should forward it to your Lordship and await the observations which your Lordship may wish to offer.

I have, &c.
(Signed) ROBT. J. KENNEDY.

Inclosure 1 in No. 143.

M. Voulcovitch to Mr. R. J. Kennedy.

M. le Gérant, *Sophia, le 17 Juillet*, 1882.

PAR votre lettre en date du 29 Juin vous avez bien voulu me communiquer la dépêche que sa Seigneurie Lord Granville se propose d'adresser aux Ambassadeurs de Sa Majesté Britannique au sujet de la réunion de la Conférence Arbitrale à Constantinople, relativement à la question du Chemin de Fer de Roustchouk-Varna.

Le Gouvernement Princier croit devoir observer dès l'abord que c'est pour la première fois qu'il est question des arriérés dus avant la ratification du Traité de Berlin, et il estime que cette question, qui n'a jamais été comprise dans les conditions admises de part et d'autre pour être portée à la Conférence Arbitrale, ne saurait évidemment être soumise à la Conférence prochaine.

En conséquence, je vous prie, M. le Gérant, de vouloir bien communiquer à sa Seigneurie Lord Granville, les observations que je viens de vous présenter, relativement à ces arriérés, et je ne doute pas que le Gouvernement de Sa Majesté Britannique ne veuille en apprécier la justesse.

En ce qui concerne ses obligations envers la Compagnie, le Gouvernement Princier a dès le principe voulu savoir "quelle était la valeur de ces obligations," et c'est dans ce but qu'il a accepté la proposition de la Compagnie de soumettre la question à l'arbitrage des Ambassadeurs des Grandes Puissances réunis en Conférence à Constantinople.

Par sa note Ministérielle en date du $\frac{2}{14}$ Février, le Gouvernement Princier a demandé un délai de six mois pour la réunion de cette Conférence, délai qui expire le $\frac{2}{14}$ Août prochain. Je viens donc vous informer, M. le Gérant, que le Gouvernement Bulgare est prêt à envoyer ses Délégués présenter sa cause au sein de la Conférence. En outre, conformément à la communication que vous aviez été chargé de me faire, j'ai l'honneur de vous remettre ci-joint copie de la Circulaire que le Gouvernement Princier se propose d'adresser aux Agents Diplomatiques des Grandes Puissances à Sophia, les priant de demander à leurs Gouvernements respectifs—dans les cas où ils consentiraient à l'arbitrage proposé—d'autoriser leurs Ambassadeurs à Constantinople à se réunir en Conférence Arbitrale.

Veuillez, &c.
(Signé) VOULCOVITCH.

Inclosure 2 in No. 143.

Draft Circular.

M. l' . . . . . *Sophia, le* , 1882.

PAR l'Article X du Traité de Berlin le Gouvernement Princier de la Bulgarie a été substitué au Gouvernement Impérial Ottoman dans ses obligations envers la Compagnie de Chemin de Fer de Roustchouk-Varna à partir du jour de la ratification de ce Traité.

Le Gouvernement de Son Altesse, mon auguste Souverain, soucieux de remplir fidèlement ses engagements, s'est préoccupé de savoir: "quelle était la valeur des obligations" à lui imposées par le susdit Article; et comme il s'est trouvé en divergence d'opinion à ce sujet avec la Compagnie, il a accepté que cette question fut portée à une Conférence Arbitrale des Ambassadeurs des Grandes Puissances Signataires du Traité de Berlin.

En effet, bien que le Gouvernement Princier ait proposé plusieurs modes de transaction, entre autres celui de prendre pour base "la valeur réelle des titres au moment de la substitution des pouvoirs de la Principauté à ceux du Gouvernement Impérial Ottoman," c'est-à-dire, à dater de la ratification du Traité, le 3 Août, 1878, la Compagnie s'est refusée et retranchée toujours derrière les droits absolus de sa concession en vertu de laquelle la Sublime Porte lui avait garanti des intérêts annuels

de 140,000*l.* pour la première période de trente-trois ans—de 120,000*l.* pour la seconde période de trente-trois ans, et de 100,000*l.* pour la troisième période de même durée—intérêts calculés sur un capital de 2,000,000*l.* qui aurait été dépensé pour la construction de la ligne.

Or, considérant le Chemin de Fer de Roustchouk-Varna comme tracé, construction et rendement commercial, le Gouvernement Princier s'est trouvé dans l'obligation d'avouer qu'il ne pouvait admettre que la somme de 2,000,000*l.* fut le vrai capital dépensé pour la construction de ce chemin de fer.

L'entente ne pouvant donc s'établir entre les deux parties, la Compagnie proposa la première, par sa lettre du 16 Mars de l'année passée, de soumettre la question à l'arbitrage des Ambassadeurs des Grandes Puissances à Constantinople.

Le Gouvernement Bulgare a accepté la Conférence Arbitrale aux conditions suivantes:—

1. Que le Gouvernement Princier aura le droit d'envoyer dans la Conférence à Constantinople des représentants pour exposer sa cause et défendre en toute liberté les droits de la Principauté vis-à-vis de la Compagnie.

2. Que la Conférence ne se réunira pas avant un délai de six mois, délai nécessaire aux Délégués Bulgares pour étudier la question.

3. Que le Gouvernement Bulgare met aucune autre condition à l'acceptation de l'arbitrage des Grandes Puissances, mais qu'il se réserve le droit de présenter la défense des intérêts de la Bulgarie comme il lui convient le mieux sans que l'on ait le droit de lui opposer des Résolutions antérieures.

Je viens donc vous prier, M. de vouloir bien communiquer la présente dépêche au Gouvernement de dont vous êtes le représentant, et de lui demander d'autoriser son Ambassadeur à Constantinople à entreprendre l'arbitrage proposé.

Une dépêche identique a été adressée aux Agents Diplomatiques des Grandes Puissances accrédités auprès du Gouvernement Princier, et dans le cas où les Puissances consentiraient à l'arbitrage, le Gouvernement de Son Altesse, mon auguste Souverain, est prêt à envoyer ses Délégués présenter sa cause à la Conférence, dont les Ambassadeurs voudront bien fixer l'époque de la réunion.

Veuillez, &c.

No. 144.

Mr. R. J. Kennedy to Mr. Warburton.—(Received July .)

Dear Warburton, *Sophia, July* 18, 1882.

MY namesake writes that he is out of town, but that you will kindly attend to private letters on the Varna-Rustchuk Railway question.

I have very little to add to my last letter of the 15th, except that Mr. Mozley's secretary leaves to-day with the Bulgarian Government's proposals for a private settlement of the question.

The Prince, I understand, gave this morning, before leaving Sophia, orders to his Ministers to get the question settled privately, if possible, before the meeting of the Chamber in October. Stoïloff, his Private Secretary, called before leaving to assure me most emphatically that the Bulgarian Government wish to deal fairly and honourably.

One reason, of course, why the Prince is so anxious to buy the line is in order to have a hold over the Turks, who will, should the railway be purchased by Bulgaria, be liable to the latter for a portion of the arrears before the Treaty of Berlin.

Believe me, &c.
(Signed) ROBT. J. KENNEDY.

No. 145.

Mr. R. J. Kennedy to Mr. Warburton.—(Received August .)

Dear Warburton, *Sophia, July* 25, 1882.

IN my private letter of the 15th I allude to a conversation with the Prince in which His Highness spoke very strongly against Hirsch, and declared that if he could be got rid of Bulgaria would pay anything for the purchase of the Varna-Rustchuk Railway. The open way in which the Prince spoke before several witnesses rather

surprised me, and I think he himself felt he had gone rather far, as he made several excuses for not receiving Mr. Mozley, to whom in the spring he had been extremely civil and gracious, and went so far as to invite Hirsch's agent here, who does not enjoy a very high reputation, and who, I believe, had never been inside the Palace, to dinner.

A few days ago Mr. Mozley told me that he had been informed from London that the negotiations which had been carried on with Hirsch had reached such a point that he could formally assure the Bulgarian Government that this obstacle to the private settlement of the question was removed, but that he was unwilling to communicate this to Voulcovitch, for he feared that if the fact of the hated Baron being put out of the way became known the Bulgarian Government would at once begin to lower the price. He consequently asked me if I would let the Prince know how the case at present stands. After some hesitation I consented to do so on the condition that I should disclaim all responsibility for the accuracy of the statement, and that I should let it be clearly understood that I was acting merely in a private capacity, in consequence of the remarks which the Prince had made to me, and that my instructions were only to insist on an early meeting of the Conference.

I inclose copy of a private letter which I have written to the Prince's Private Secretary, who is with him at Varna, by which you will see that I am carefully keeping to my instructions. At the same time, as I am convinced that the Bulgarian Government, who have an excellent case if they only secure a good advocate, are prepared to give the Company far better terms than the latter are at all likely to obtain from the Conference, and as the Prince himself is most anxious to settle the question privately, partly in order to get rid of Hirsch, and partly in order to avoid, if possible, troubling the Powers with this question when there "are so many others for which, later on, their good offices will be asked by Bulgaria," I hope that my unofficial action in making this attempt to bring the negotiating parties together may not be disapproved.

This question is creating a good deal of interest here, and the Government are very anxious to settle it before the meeting of the Chamber, if possible.

Grecoff, the Minister of Justice, has left for Paris for the purpose of consulting French lawyers; at least, that is what Voulcovitch says.

Believe me, &c.
(Signed) ROBT. J. KENNEDY.

Inclosure in No. 145.

Mr. R. J. Kennedy to M. Stoïloff.

(Private.)

Dear M. Stoïloff, *Sophia, July* 23, 1882.

IN the course of a conversation with which the Prince honoured me after dinner at the Palace on the subject of the Varna-Rustchuk Railway question about a fortnight ago, His Highness informed me that he was most anxious to come to an arrangement with Mr. Mozley, as it was only by means of the latter that Bulgaria could hope to get rid of the incubus of Baron Hirsch, whose name was detested in this country; that no matter how favourably for Bulgaria the Conference might decide, it nevertheless could never confer this boon upon her, and therefore that, in dealing with Mr. Mozley, the question of money was, for this country, a secondary consideration. In holding this language, His Highness was, I believe, stating not only his personal conviction, but also the views of his Ministers, who have, I understand, repeatedly spoken to Mr. Mozley in the same sense. I could only respectfully inform the Prince, in reply, that my sole duty was to press on the Conference; that I could not admit that the Ambassadors of the Great Powers which had created Bulgaria would come to a decision which would press unfairly heavily upon her, and I added that, although I had officially no connection with Mr. Mozley, I quite understood the position he had taken up, and from which it would be impossible to dislodge him, viz., to refuse to come to a definite arrangement with Baron Hirsch until he had received some formal guarantee from the Bulgarian Government that his figures would, subject to some small deduction for expenses, be accepted.

Had the great press of business which His Highness was obliged to get through during his stay at Sophia not prevented him from according Mr. Mozley the honour of an audience, I think the latter would have been in a position to place the state of the affair in a very favourable light before the Prince. Mr. Mozley has now begged me, with reference to the above remarks of His Highness, to let you know that he can give you formal assurances that he is in a position to settle the Hirsch question in a

manner satisfactory to the Prince, but that he must stand by his instruction to obtain a guarantee that the price asked for the purchase of the railway will be given.

I have consented to become the channel through which this communication should be laid before the Prince in consequence of the remarks which His Highness was good enough to make to me in the above-quoted conversation, and because I believe His Highness is of opinion that the interests of Bulgaria would best be served by settling the question privately; but I wish clearly to state that I am in no way responsible for its accuracy, and that my instructions, confirmed by a further despatch received last night, are to press for the early issue of invitations to insure the Conference meeting with as little delay as possible.

If the Bulgarian Government really wish to settle this question privately, and in view of the repeated assurances given me by several Ministers in this sense, I cannot doubt that this is the case, no time should be lost in informing Mr. Mozley that his conditions are accepted, now that, as he tells me, he is able formally to assure you that the Hirsch obstacle can be removed. So much time has been spent, and so little use has been made of the six months' delay preparatory to the meeting of the Conference, that it would be hopeless to expect Her Majesty's Government to agree to a further postponement of the settlement of a question which it is as much to the interest of Bulgaria as to the Varna-Rustchuk Railway Company to bring to a speedy and satisfactory conclusion.

I have written frankly and unreservedly to you on this subject, but not, I trust, too much so, and I leave it to you to decide whether you will or not lay my letter before the Prince. In any case, I beg that you will be so good as to convey to His Highness the assurance of my feelings of profound respect.

Believe me, &c.
(Signed) ROBT. J. KENNEDY.

P.S.—I ought not to omit to state that on the afternoon of the day on which I had the honour of having my last audience of His Highness I received from M. Voulcovitch the Bulgarian draft invitation to the Powers requesting that the Ambassadors of the latter may be authorized to take part in the proposed Conference.

R. J. K.

No. 146.

Sir Charles W. Dilke to Mr. Taylor.

Foreign Office, August 9, 1882.

Sir,

WITH reference to previous correspondence on the subject of the proposed arbitration at Constantinople as to the obligations laid by Article X of the Treaty of Berlin upon Bulgaria towards the Varna and Rustchuk Railway Company, I am directed by Earl Granville to state to you that Her Majesty's Government are of opinion that the most satisfactory course to pursue in the matter would be that an Agreement should be signed between the British and Bulgarian Governments, defining the object and scope of the arbitration; which Agreement should, when concluded, be communicated in an identic note to the five Powers who, besides Great Britain and Turkey, were parties to the Treaty of Berlin, requesting them to authorize their Ambassadors at Constantinople to act as Arbitrators.

I am accordingly to inclose a draft of such an Agreement, which has been prepared in this Office, with the view to its submission to the Bulgarian Government;* and I am to request you to inform Lord Granville, with as little delay as possible, whether the Varna and Rustchuk Railway Company are prepared to give their assent to its terms.

I am, &c.
(Signed) CHARLES W. DILKE.

No. 147.

Mr. Taylor to Earl Granville.—(Received August 19.)

Varna Railway Company, Offices, 56, New Broad Street, London, August 18, 1882.

My Lord,

I AM instructed by the Board of the Varna Railway Company to acknowledge receipt of your letter of the 9th instant, and the inclosed draft Agreement.

* See Inclosure in No. 147.

In respect thereto, the Board would suggest, in the first place, that the British Ambassador, as the Representative of one of the Signatories of the Treaty of Berlin, should be a member of the Board of Arbitrators. If this addition should occasion any difficulty in consequence of the number of the Arbitrators being an even one, I am instructed to suggest that a casting vote might be given to the President.

The Company is a Turkish one; there can therefore be no object in omitting the British Ambassador, and his presence is desired by the Board.

In the second place, that a direct undertaking by the Bulgarian Government to carry out the award of the Arbitrators should be added, somewhat in the form inserted in red ink* in the inclosed copy draft Agreement.

As a ground for basing the request for the insertion of the last clause, I am instructed to refer you to the despatch of the 7th September, 1881, received by the Company from the Foreign Office.

I am, &c.
(For self and colleagues),
(Signed) G. C. TAYLOR, *Chairman.*

Inclosure in No. 147.

Draft Agreement between the Governments of Great Britain and Bulgaria.

WHEREAS, by Article X of the Treaty signed at Berlin on the 13th day of July, 1878, between Great Britain, Germany, Austria, France, Italy, Russia, and Turkey, it is stipulated as follows:—"La Bulgarie est substituée au Gouvernement Impérial Ottoman dans ses charges et obligations envers la Compagnie du Chemin de Fer de Roustchouk-Varna, à partir de l'échange des ratifications du présent Traité. Le réglement des comptes antérieurs est réservé à une entente entre la Sublime Porte, le Gouvernement de la Principauté, et l'Administration de cette Compagnie:"

And whereas differences have arisen between the Government of Bulgaria and the Varna and Rustchuk Railway Company as to the amount of the obligations laid on Bulgaria under the following words of the said Treaty:—

"La Bulgarie est substituée au Gouvernement Impérial Ottoman dans ses charges et obligations envers la Compagnie du Chemin de Fer de Roustchouk-Varna, à partir de l'échange des ratifications du présent Traité:"

And whereas the Governments of Great Britain and of Bulgaria have agreed (with the assent of the Railway Company) that the said differences should, if possible, be referred to the arbitration and final award of the Ambassadors at Constantinople of the Powers hereinafter mentioned, parties to the Treaty of Berlin, on the terms and conditions hereinafter contained;

The Undersigned, duly authorized to this effect by their respective Governments, have agreed as follows:—

1. The Governments of Great Britain and of Bulgaria will forthwith request the Governments of Germany, Austria, France, Italy, and Russia to authorize and empower their respective Ambassadors at Constantinople to act [with the Ambassador of Great Britain] as Arbitrators for the settlement of the said differences.

2. If the said Governments shall accede to the above request, the following question shall be referred to the Arbitrators for their final award, that is to say:—

"What is the amount of the obligations laid on Bulgaria towards the Varna and Rustchuk Railway Company by Article X of the Treaty of Berlin, as regards the claims of the Varna and Rustchuk Railway Company, subsequent to the date of the exchange of the ratifications of the said Treaty, namely, the 3rd August, 1878?"

3. In the case of the death, absence, or incapacity of any one of the Arbitrators, his place shall be filled by the Ambassador succeeding him, or by the Chargé d'Affaires who may be for the time being intrusted with the discharge of his duties.

4. The Bulgarian Government and the Varna-Rustchuk Railway Company shall each have the right of sending Representatives to present and support their respective Cases before the Arbitrators.

5. The Rules of Procedure to be followed in the Arbitration and all other matters incidental thereto, and not provided for by this Agreement, shall be determined by the Arbitrators.

6. The award shall be made in writing, and the decision of the majority of all the Arbitrators shall be binding and conclusive as regards the award and all other matters

* Printed between brackets.

left to their determination. [A casting vote might be given to the President, if necessary.]

7. The costs of and attending the arbitration shall be in the discretion of the Arbitrators, and shall be borne by the Bulgarian Government and the Varna and Rustchuk Railway Company in such manner as the Arbitrators shall decide.

8. Nothing in this Agreement shall be construed or understood as being derogatory to the rights and position secured to the Varna and Rustchuk Railway Company by Article X of the Treaty of Berlin of the 13th July, 1878; [and the Bulgarian Government agree that they will be bound by the decision of the Arbitrators; and the Bulgarian Government undertakes that it will forthwith execute its obligations under Article X of the Berlin Treaty, as found by the Arbitrators].

In witness whereof, &c.

No. 148.

Earl Granville to Mr. R. J. Kennedy.

(No. 21. Commercial.)

Sir, *Foreign Office, August 28, 1882.*

HER Majesty's Government have had under consideration your despatch No. 19, Commercial, of the 18th ultimo, in which you forward the draft Circular which the Bulgarian Government propose to address to the Representatives at Sophia of the Signatory Powers of the Treaty of Berlin, with the exception of Turkey, requesting that the Ambassadors of those Powers at Constantinople may be authorized to act as Arbitrators for the purpose of deciding the questions in dispute between the Bulgarian Government and the Varna-Rustchuk Railway Company.

In reply, I have to acquaint you that, on further consideration, Her Majesty's Government are of opinion that it would be very desirable, in order to avoid any misunderstanding, that an Agreement should be signed between the British and Bulgarian Governments, defining the object and scope of the arbitration.

I inclose the draft of such an Agreement, the terms of which have been assented to by the Varna-Rustchuk Railway Company.

You will submit this draft of the Agreement to the Bulgarian Government, and, in the event of their agreeing to it, you are authorized to sign it with the Plenipotentiaries appointed by that Government for that purpose.

The Agreement, when concluded, might then be communicated by the British and Bulgarian Governments to the Powers therein named in an identic note, of which a draft is inclosed for the approval of the Bulgarian Government, and which might be substituted for the identic note previously proposed.

Taking into consideration the length of time which has already elapsed in coming to an understanding upon the subject, Her Majesty's Government are not prepared to accede to the suggestion of the Bulgarian Government that a delay of six months should take place before the meeting of the Arbitrators.

Some time must necessarily elapse before the Agreement can be signed and forwarded to the Signatory Powers of the Treaty of Berlin, and their answers received, and Her Majesty's Government are of opinion that the time of meeting should be left to the Ambassadors at Constantinople who are to act as Arbitrators.

I am, &c.

(Signed) GRANVILLE.

Inclosure 1 in No. 148.

Draft of an Identic Note to be sent by the British and Bulgarian Governments to Germany, Austria, France, Italy, and Russia.

IN 1861 a concession was granted by the Sublime Porte for the construction of a railway from Varna to Rustchuk. The concession was for ninety-nine years, and the Porte guaranteed annual interest (on an expenditure of 2,000,000*l.*) of 140,000*l.* for the first thirty-three years, of 120,000*l.* for the second period of thirty-three years, and of 100,000*l.* for the third period of thirty-three years.

The line was completed and opened in 1867, and the guaranteed interest was paid for the succeeding years up to and inclusive of the year ended the 30th June, 1874, when payments ceased.

By Article X of the Treaty of Berlin of the 13th July, 1878, the obligations of the Porte towards the Company were transferred to Bulgaria, to date from the exchange of the ratifications of the Treaty, which took place on the 3rd August of the same year.

Since that date, however, difficulties have arisen as to the nature and extent of the obligations thus laid upon Bulgaria, and it has at length been agreed by both parties concerned to refer the matter to the arbitration and final award of the Ambassadors at Constantinople of the Signatory Powers of the Treaty of Berlin, with the exception of Turkey.

An Agreement, defining the object and scope of the proposed arbitration has accordingly been concluded between Her Majesty's Government and the Government of Bulgaria, of which I inclose a copy; and I have to request your Excellency to make a communication in the words of this despatch to the Government, asking them, at the same time, if they will be good enough to authorize their Ambassador at Constantinople to undertake the proposed arbitration.

A similar despatch has been addressed to Her Majesty's Ambassadors at , and the Bulgarian Government will also address an identic communication to the same Powers.

Inclosure 2 in No. 148.

Draft Agreement between the Governments of Great Britain and Bulgaria for referring to Arbitration the Claims of the Varna and Rustchuk Railway Company.

WHEREAS, by Article X of the Treaty signed at Berlin on the 13th day of July, 1878, between Great Britain, Germany, Austria, France, Italy, Russia, and Turkey, it is stipulated as follows: "La Bulgarie est substituée au Gouvernement Impérial Ottoman dans ses charges et obligations envers la Compagnie du Chemin de Fer de Roustchouk-Varna, à partir de l'échange des ratifications du présent Traité. Le réglement des comptes antérieurs est réservé à une entente entre la Sublime Porte, le Gouvernement de la Principauté, et l'Administration de cette Compagnie:

And whereas differences have arisen between the Government of Bulgaria and the Varna and Rustchuk Railway Company as to the amount of the obligations laid on Bulgaria under the following words of the said Treaty:—

"La Bulgarie est substituée au Gouvernement Impérial Ottoman dans ses charges et obligations envers la Compagnie du Chemin de Fer de Roustchouk-Varna, à partir de l'échange des ratifications du présent Traité:"

And whereas the Governments of Great Britain and of Bulgaria have agreed (with the assent of the Railway Company) that the said differences should, if possible, be referred to the arbitration and final award of the Ambassadors at Constantinople of the Powers hereinafter mentioned, parties to the Treaty of Berlin, on the terms and conditions hereinafter contained;

The Undersigned, duly authorized to this effect by their respective Governments, have agreed as follows:—

1. The Governments of Great Britain and of Bulgaria will forthwith request the Governments of Germany, Austria, France, Italy, and Russia to authorize and empower their respective Ambassadors at Constantinople to act with the Ambassador of Great Britain as Arbitrators for the settlement of the said differences.

2. If the said Governments shall accede to the above request, the following question shall be referred to the Arbitrators for their final award, that is to say:—

"What is the amount of the obligations laid on Bulgaria towards the Varna and Rustchuk Railway Company by Article X of the Treaty of Berlin, as regards the claims of the Varna and Rustchuk Railway Company, subsequent to the date of the exchange of ratifications of the said Treaty, namely, the 3rd August, 1878?"

3. In the case of the death, absence, or incapacity of any one of the Arbitrators, his place shall be filled by the Ambassador succeeding him, or by the Chargé d'Affaires who may be for the time being intrusted with the discharge of his duties.

4. The Bulgarian Government and the Varna-Rustchuk Railway Company shall each have the right of sending Representatives to present and support their respective Cases before the Arbitrators.

5. The Rules of Procedure to be followed in the arbitration, and all other matters incidental thereto, and not provided for by this Agreement, shall be determined by the Arbitrators.

6. The award shall be made in writing, and the decision of the majority of all the Arbitrators shall be binding and conclusive as regards the award and all other matters left to their determination.

The Arbitrators shall choose a President, who shall have a casting vote in the event of an equal division of votes on any question left to their determination.

7. The costs of and attending the arbitration shall be in the discretion of the Arbitrators, and shall be borne by the Bulgarian Government and the Varna and Rustchuk Railway Company in such manner as the Arbitrators shall decide.

8. Nothing in this Agreement shall be construed or understood as being derogatory to the rights and position secured to the Varna and Rustchuk Railway Company by Article X of the Treaty of Berlin of the 13th July, 1878, and the Bulgarian Government agree that they will be bound by the award of the Arbitrators, and forthwith execute the same.

In witness whereof the Undersigned have signed the present Agreement, and have affixed thereto the seal of their arms.

Done at .

No. 149.

Mr. R. J. Kennedy to Earl Granville.—(Received September 8.)

(No. 21. Commercial.)

Sophia, August 20, 1882.

My Lord,

IN my despatch No. 19 of the 18th ultimo I had the honour of stating that a Commission, consisting of M. Harrower and two other experts, had been sent to inspect and to report upon the present state of the Varna-Rustchuk Railway.

M. Harrower, who has now returned to Sophia, has informed me, very confidentially, that in the Report which he has furnished to the Bulgarian Government he has estimated the actual cost of the construction of the railway at 30,000,000 fr., to which he added a sum of 10,000,000 fr. for "finance expenses;" he further has stated his opinion that in 1878 the railway had deteriorated to the extent of 1,500,000 fr., and at the present date to 2,000,000 fr.

M. Harrower has no hesitation in saying that the railway has been made, from an engineering point of view, over the best line of country that can be selected; and he told me that so far from its being now in the neglected and almost dangerous state in which it has been represented, that it would be perfectly safe to drive an express train at thirty-seven miles an hour over it.

M. Grecoff, the Minister of Justice, left Sophia about a month ago for Paris, in order to consult French jurists as to the position of the Bulgarian Government with regard to the Railway Company.

A legal opinion, drawn up at considerable length, has been furnished to his Excellency, and forwarded by him to his Government. I have had an opportunity of reading it, and I now have the honour of inclosing a précis of it, which will show the line of argument that will probably be adopted by Bulgaria before the Conference should the private negotiations for the sale of the railway fall through.

I have, &c.

(Signed) ROBT. J. KENNEDY.

Inclosure in No. 149.

Précis of a Legal Opinion given by M. Allou, M. Emile Duvier, M. Robinet de Cléry, and M. Louis Renault, relative to the Dispute between the Bulgarian Government and the Varna-Rustchuk Railway Company.

THESE French jurists having been asked how far Bulgaria is bound by the engagements entered into with the Varna-Rustchuk Railway Company by the Imperial Ottoman Government, replied as follows:—

1. The Signatory Powers of the Treaty of Berlin accepted, on behalf of Bulgaria, the substitution of the Principality for the Ottoman Government with respect to the charges and obligations by which the latter was bound to the Railway Company, with

the reservation that the arrears ("comptes antérieurs") should be settled by agreement between the Principality, the Ottoman Government, and the Company.

2. The Principality of Bulgaria cannot, under any circumstances ("sous aucun titre") be held responsible before the Railway Company for any debt due before the exchange of the ratifications of the Treaty.

3. The sum total of the charges and obligations for which, since the ratification of the Treaty, the Principality of Bulgaria has been substituted for Turkey, must be fixed by an examination of the previous accounts ("comptes antérieurs"), and, in this examination, only such expenses as have been actually incurred must be taken into consideration, in accordance with the regulations of the Article relating to the building and working of the railway.

A history of the railway from the time of its construction is then given, after which the jurists, at considerable length, argue in favour of their above-quoted opinion. The following is a brief résumé of their arguments.

They begin by quoting an opinion laid down in 1839 by the then President of the French Court of Cassation, to the effect that diplomatic Treaties must always be read in the sense that places them in harmony with the civil and public law ("droit civil et public") recognized by the Contracting nations; "à plus forte raison doit-il en être ainsi, quand il s'agit de règles de droit civil communes à tous les peuples civilisés, déterminant d'après les principes de l'équité naturelle la force obligatoire des Conventions."

It is in the above spirit that the Treaty of Berlin must be read.

Has Bulgaria, it must be asked, been substituted so completely for Turkey that the latter—the old debtor—is discharged by this substitution for it of the former—the new debtor? "Y a-t-il eu novation éteignant l'obligation de l'ancien débiteur, *ex promissio*, ou simple accession du nouveau débiteur, *ad promissio*?" No; for it is to be remarked that the Company have never abandoned the claims they possess against the Ottoman Government under the original agreements ("les Conventions primitives"); they are now applying to Bulgaria because it is to their interest to do so, but they have not abandoned their claims against the Ottoman Government, and they are merely waiting for a favourable opportunity to present itself in order to renew them. "De ce point de vue déjà la novation parfaite ne serait pas consommée."

Again, in several Treaties made of late years between Sovereign States who are not united by the bond of suzerainty, the complete substitution of the country that acquires ("l'État concessionnaire") for the one that cedes (l'État cédant) is unreservedly and absolutely enacted, *e.g.*, Treaty of Zurich (1859), Franco-Sardinian Treaty (1860), Treaty of Frankfort, 1871.

The Treaty of Berlin itself, by its LIst Article, affords a good instance of "novation complète." Roumania is unreservedly substituted for Turkey.

But when the same Treaty is settling identical questions for Bulgaria, reserves are introduced.

The IXth Article of the Treaty of San Stefano had reserved the substitution of Bulgaria for Turkey as regards the Company's claims, "après entente entre la Sublime Porte, le Gouvernement de la Principauté, et l'Administration de la Compagnie."

The Treaty of Berlin accepted this reservation and stated its object. "Le réglements des comptes antérieurs."

The reason for the remarkable difference between the Xth and LIst Article of the Treaty is obvious, viz., Bulgaria is an autonomous but a tributary Principality. With regard to the past, she is bound to contribute towards the public debt of Turkey, "sur la base d'une équitable proportion," and for the future she must pay to the Ottoman Treasury, from which she receives nothing, an annual tribute. She becomes, too, bound under a special clause by Turkey's engagements towards the Company, and it is only in accordance with justice and equity that this obligation should be limited to the real and necessary expenses actually incurred.

Bearing this in mind, it is to be noted that the only consideration taken into account when the railway was constructed are strategical ones, which no longer have any value; neither can it, in its present state, be considered in any way to represent the sum of money accepted by the Ottoman Government as the basis of the latter's liabilities. An examination and settlement of the previous accounts becomes, therefore, indispensable, and it is conditional on this settlement that the 2nd paragraph of the Xth Article of the Treaty of Berlin enacted the substitution of Bulgaria for Turkey in its charges and obligations with regard to the Railway Company.

In introducing on behalf of Bulgaria this saving clause, there can be no doubt that the Plenipotentiaries of the Powers were actuated by a desire not to crush the young Principality with excessive debts. "Si les populations Bulgares ne peuvent entrer dans

l'exercice de leurs nouvelles institutions, l'Europe devra en aviser." (Prince Bismarck, Protocol of the 24th June.) A Treaty between two nations differs from an agreement between two individuals, for in the latter case each tries to better himself at the expense of the other, regardless of whether his opponent be crushed by onerous conditions.

But supposing the 2nd paragraph—"le réglement des comptes antérieurs"—did not exist, the clause enacting the simple substitution of Bulgaria for Turkey would be in that case, according to Vattel, "une clause odieuse dont l'interprétation doit toujours être restrictive." In this case, however, the "restriction" immediately follows, and as it is essentially "favourable," it must be interpreted in the most "extensive" manner. To quote Vattel, "Il est des choses dont l'équité souffre plutôt l'extension que la restriction; c'est-à-dire, qu'à l'égard de ces choses-là le point précis de la volonté n'étant pas marqué dans les expressions de la loi ou du contrat, il est plus sûr, pour garder l'équité, de placer ce point; de le supposer dans le sens le plus étendu que dans le sens le plus réservé des termes, d'étendre la signification des termes que de la réserver . . . . Dans les choses favorables il vaut mieux passer ce point que de ne pas l'atteindre."

The spirit and the text of the Xth Article confronts the creditor with the Porte as the chief and original debtor, and with a new debtor who is only responsible for the amount of the debt that may be fixed after a settlement of the previous accounts.

Conclusion.

"La résistance du Gouvernement Princier à la prétention absolue de la Compagnie de Roustchouk-Varna est donc fondée sur une interprétation exacte et juridique du Traité de Berlin.

"C'est ce que reconnaîtra, on n'en saurait douter, la Conférence arbitrale, lorsque la question sera portée devant elle.

"Après avoir résolu par une décision interlocutoire le principe de la révision des comptes antérieurs la Commission Arbitrale devra en donner les mesures préparatoires qu'elle jugera nécessaires pour vérifier le chiffre des dépenses réellement effectuées. L'examen de la comptabilité de la ligne sont au premier rang des mesures indispensables.

"Après ces expertises, à défaut d'une entente entre les parties, la Commission Arbitrale fixera définitivement le chiffre des dépenses réelles et utiles, qui devra être la base de la garantie d'intérêts.

Cette garantie sera due pour la Bulgarie à partir du 3 Août, 1878.

No. 150.

Mr. R. J. Kennedy to Earl Granville.—(*Received October* 2.)

(No. 23. Commercial.)

My Lord, *Sophia, September* 23, 1882.

I HAVE the honour to inclose copy of a note which, in obedience to the instructions contained in your Lordship's despatch No. 21, Commercial, of the 28th ultimo, I have addressed to the Acting Minister for Foreign Affairs, transmitting to his Excellency the draft of a proposed Agreement between Her Majesty's Government and the Prince's Government on the subject of the Varna-Rustchuk Railway question, together with the draft of an identic note which it is proposed should be sent by both Governments to the Signatory Powers (with the exception of Turkey) of the Treaty of Berlin, asking that their Ambassadors may act as Arbitrators at a Conference on this question to be held at Constantinople.

M. Natchovitch promised that they should be submitted to the Council of Ministers as soon as M. Voulcovitch, whose return is expected in a few days, has resumed his post as Minister for Foreign Affairs.

I have further the honour of stating that M. Grecoff, the Minister of Justice, has been appointed Bulgarian delegate for carrying on the private negotiations with Mr. Mozley for the sale of the railway, and of transmitting to your Lordship copy of the legal opinion furnished by French jurists to the Bulgarian Government as to the position of the latter with regard to the Railway Company. This document, of which I had the honour of inclosing a precis in my despatch No. 21, Commercial, of the 20th August, is now being freely circulated by His Highness' Government.

I have, &c.

(Signed) ROBT J. KENNEDY.

Inclosure in No. 150.

Mr. R. J. Kennedy to M. Natchovitch.

M. le Ministre, *Sophia, September* 21, 1882.

I HAVE the honour of informing your Excellency, in pursuance of instructions from Earl Granville, that Her Majesty's Government, in order to avoid any misunderstanding, have drawn up a draft Agreement, copy of which I beg to inclose, defining the object and scope of the arbitration which is to take place at Constantinople on the question in dispute between the Government of His Highness the Prince of Bulgaria and the Varna-Rustchuk Railway Company, and of stating that, if the Bulgarian Government approve, I am authorized to sign it in conjunction with the Plenipotentiary appointed to act on behalf of His Highness' Government.

When the Agreement, the terms of which have been assented to by the Varna-Rustchuk Railway Company, is signed, Her Majesty's Government suggest that it should be communicated by the Prince's Government to the Representatives at Sophia of the Great Powers in a note of which I have the honour of inclosing a draft, and Her Majesty's Government will address at the same time an identic note, to be substituted for the one previously proposed, to Her Majesty's Representatives at Paris, Berlin, St. Petersburgh, Vienna, and Rome, requesting that their respective Ambassadors at Constantinople, in conjunction with the British Ambassador, may act as Arbitrators upon the disputed question.

I have further the honour of stating that Her Majesty's Government are of opinion that the time of meeting should be left to the decision of the arbitrating Ambassadors.

Trusting that your Excellency will enable me to return an early answer to Lord Granville, I avail, &c.

(Signed) ROBT. J. KENNEDY.

No. 151.

Mr. R. J. Kennedy to Mr. Warburton.—(*Received October* .)

My dear Warburton, *Sophia, October* 6, 1882.

THE delay in the presentation of my note containing the draft Agreement and identic note on the Varna-Rustchuk Railway question arose in consequence of my not receiving the Foreign Office despatch of the 28th August till the 20th September. Voulcovitch was away, and Natchovitch would do nothing, especially as the Russian Ministers were also absent. Voulcovitch is now passing through Sophia on his way to Rustchuk, to be present at the visit of the King of Servia, and I have got him to examine the papers.

There are some alterations in the Agreement which he is anxious should be made, and he has promised to communicate them to me to-morrow before his departure. He may or may not keep his promise; most probably the latter.

Mozley has been treated to every dodge and every device known to the most cunning of Levantines. He has fulfilled all the conditions asked of him, but has never been able to get anything out of these people except vague assurances and promises made one day to be broken the next. I think that they will eventually close with him, but the only way of making them come to a conclusion is to force on the Conference. The alterations they will propose in the draft Agreement are most probably only to gain time, as they know that I shall refer them home. It would therefore be as well to telegraph if you accept. Mozley has given them till the 8th of this month to decide upon his case, and expects an answer from them saying that they accept his figures *en principe*. This will no doubt be given in order that the negotiations may not be broken off, and on some future occasion a discussion will arise as to the meaning of *en principe*, or it will be asserted that such a letter should not have been given without the Prince's sanction, and that it is therefore of no avail. It will scarcely be believed, but it is nevertheless a fact, that some of the Ministers have an idea that, in consequence of Egyptian affairs, Russia will obtain a modification of the Treaty of Berlin, and that the Xth Article will be one of those altered. The longer the question drags the better chance the Bulgarian Government thinks it has, either of evading its settlement altogether, or of obtaining more favourable terms.

Believe me, &c.

(Signed) ROBT. J. KENNEDY.

No. 152.

Mr. R. J. Kennedy to Earl Granville.—(Received October 11, 1 P.M.)

Sophia, October 11, 1882.

(Telegraphic.)

YOUR Lordship's No. 21, Commercial.

I have received a very unsatisfactory reply from the Bulgarian Government. In draft Agreement they propose following alterations: to add to first clause the words, "Le Gouvernement de la Grande-Bretagne invitera le Gouvernement Impérial Ottoman à envoyer ses Représentants devant la Conférence Arbitrale pour ce qui concerne le réglement des comptes antérieurs." The second clause will run: "Quel est le montant des obligations incombant à la Bulgarie envers la Compagnie du Chemin de Fer Varna-Roustchouk, par l'Article X du Traité de Berlin." Clause 6: the award to be given by a unanimous vote. Clause 8 to be changed into "Les parties intéressées s'obligent à exécuter la décision des Arbitres dans toute sa plénitude sans délai."

All the Ministers have left for Rustchuk, and will not return for about a fortnight. I have written to Voulcovitch protesting against reply, without prejudice to such observations as your Lordship may later on wish to offer. Copy of note and inclosures by post to-morrow.

No. 153.

Mr. R. J. Kennedy to Earl Granville.—(Received October 17.)

(No. 24. Commercial.)

Sophia, October 10, 1882.

My Lord,

I HAVE the honour to transmit to your Lordship copy of a note, and its inclosures, which I have received from M. Voulcovitch, in which his Excellency informs me of several important alterations which the Bulgarian Government is desirous of introducing into the draft Agreement between it and Her Majesty's Government, defining the scope and object of the arbitration which is to take place on the Varna-Rustchuk Railway question.

At the last interview which I had with M. Voulcovitch on the 5th instant his Excellency stated that, in his opinion, the draft of the identic note inclosed in your Lordship's despatch No. 21 of the 28th August would prove acceptable to the Prince's Government, but that there were in the draft Agreement one or two slight alterations which he would recommend the Council of Ministers to adopt. One of these was in the 6th clause, in which his Excellency objected to the phrase, "and all other matters left to their determination," as being so vague that it would cover other subjects besides the particular question under discussion. I pointed out to his Excellency that the phrase referred merely to the rules of procedure, but that if the Bulgarian Government would suggest some clearer way of expressing the same idea, I felt sure your Lordship would agree.

In the 8th clause M. Voulcovitch expressed a wish that the Company, as well as the Bulgarian Government, should be bound by the award of the Arbitrators, and upon this point also I ventured to give his Excellency satisfactory assurances; but when he objected to the first part, under which the Company saves the rights and position secured to it under the Xth Article of the Treaty of Berlin on the ground that in that case there would be no object in going before the Conference, as the Treaty simply substitutes Bulgaria for Turkey, and the latter is bound to pay a fixed annual guarantee of 140,000*l.*, decreasing to 100,000*l.*, I said I should require your Lordship's sanction before agreeing to any alteration. I understood, I added, the clause to mean that the Company reserved its rights to prefer its claims against the Porte after the settlement of the question of the amount due by Bulgaria since the signature of the Treaty of Berlin. His Excellency replied that he would draft a clause in lieu of the one to which objection was raised for submission to your Lordship.

When I received on the evening of the 9th the note of which I have the honour of inclosing copy, I saw the two important changes, viz., the presence at the Conference of Turkish Representatives and the decision of the Arbitrators by a unanimous vote, which the Bulgarian Government, in addition to the alteration of the 8th clause, had, without any previous notice, introduced, I telegraphed the alterations to your Lordship, and, pending receipt of your Lordship's instructions, I ventured to address a written protest to M. Voulcovitch, of which I have the honour of inclosing copy.

I have further the honour of stating that Mr. Mozley, the delegate of the Bond-

holders Committee, has received a reply from M. Grecoff to the effect that the Bulgarian Government are willing to purchase the railway for 31,000,000 fr. in 6 per cent. bonds, to be paid off in thirty years, and bearing interest from the 3rd August, 1882, provided that Baron Hirsch surrenders all his rights over the line.

As Mr. Mozley has repeatedly, both verbally and in writing, stated that he is not empowered to accept a lower sum than 2,000,000*l.* in cash, or 2,280,000*l.* in 6 per cent. bonds, he considers this reply as a refusal of his propositions, and he is now preparing to leave Sophia.

I have, &c.

(Signed) ROBT. J. KENNEDY.

Inclosure 1 in No. 153.

M. Voulcovitch to Mr. R. J. Kennedy.

M. le Gérant,

Sophia, le 27 Septembre / 9 Octobre, 1882.

J'AI l'honneur d'accuser réception à la note que vous avez bien voulu m'adresser à la date du 21 Septembre pour me communiquer le texte d'une dépêche identique à adresser aux Puissances Signataires du Traité de Berlin, ainsi qu'un projet de Convention entre les Gouvernements de Sa Majesté la Reine et de Son Altesse relativement à l'arbitrage que les Ambassadeurs de ces Puissances à Constantinople auraient à entreprendre en vue de la solution de la question pendante entre le Gouvernement de la Bulgarie et la Compagnie du Chemin de Fer Roustchouk-Varna.

Je n'ai pas manqué de communiquer au Conseil des Ministres les documents que vous avez transmis à cet Office Princier et je m'empresse de vous en faire parvenir ci-joint la traduction avec les modifications que le Gouvernement Bulgare croit devoir y apporter.

Je me permettrai de vous faire observer, M. le Gérant, que le projet de Convention, s'il était établi dans les termes sous lesquels le Gouvernement de la Grande-Bretagne a bien voulu les formuler, placerait la question de l'arbitrage sur un terrain nouveau, en ne considérant les obligations de la Bulgarie que d'après la teneur de la première partie de l'Article X du Traité de Berlin, relativement à la Compagnie du Chemin de Fer Varna-Roustchouk, sans en admettre la seconde qui, concernant le réglement des comptes antérieurs, lui est intimement liée.

Cependant, le Gouvernement Princier, ainsi qu'il eut l'occasion de le déclarer par la note Ministérielle en date du $\frac{1}{13}$ Avril, 1880, a toujours estimé que l'arbitrage proposé qui aura pour but de régler définitivement la situation de la Principauté vis-à-vis de la Compagnie du Chemin de Fer Roustchouk-Varna, doit et ne peut que porter sur l'Article X dans son ensemble pour l'affaire qui nous occupe, c'est-à-dire, sur la question des obligations de la Bulgarie envers cette Compagnie considérés de pair avec la révision des comptes antérieurs. Or, comme d'un côté la solution de cette question ne saurait être complète que si toutes les parties se trouvent en présence et concourent à l'arrangement et que, d'un autre côté, de par les termes mêmes du dit Traité, la Sublime Porte est engagée dans le réglement de ces comptes, le Gouvernement Princier croit devoir exprimer la conviction où il est que l'envoi de représentants du Gouvernement Impérial Ottoman devant la Conférence Arbitrale devient indispensable et constitue une condition de l'arrangement définitif à intervenir pour la détermination du montant des obligations en question.

D'ailleurs, ainsi qu'il ressort du projet de dépêche identique, le Gouvernement de la Grande-Bretagne, en exceptant la Turquie de la Conférence comme Arbitre—bien que le Gouvernement Ottoman ait pris part au Traité de Berlin—a parfaitement compris et reconnu à juste titre que la Sublime Porte était partie intéressée dans la solution de la question.

Le Gouvernement Princier propose en conséquence d'ajouter au paragraphe 1er l'alinéa suivant:—

"Le Gouvernement de la Grande-Bretagne invitera le Gouvernement Impérial Ottoman à envoyer ses Représentants devant la Conférence Arbitrale pour ce qui concerne le réglement des comptes antérieurs."

Il en résulte que la question soumise à l'examen et à la décision des Arbitres se réduit à cette expression générale, sous la teneur:

"Quel est le montant des obligations incombant à la Bulgarie envers la Compagnie du Chemin de Fer Varna-Roustchouk, par l'Article X du Traité de Berlin?"

Me reportant au paragraphe 6 du Projet de Convention, j'aurai lieu de faire observer, M. le Gérant, que, bien que le litige soumis à l'arbitrage ait un caractère privé, il n'est pas moins vrai que la question en elle-même comporte une interpellation à donner à l'Article X du Traité de Berlin, et que, comme dans cet Acte International les décisions furent prises à l'unanimité, il serait juste et équitable que la décision émanant de la Conférence reçut la même consécration, et fut prise suivant la même règle de procedure, c'est-à-dire à l'unanimité et non à la majorité.

En ce qui concerne les droits et la situation de la Compagnie, visée par le paragraphe 8, je me permettrai de vous faire remarquer, M. le Gérant, que si l'on posait une réserve semblable à celle consignée dans le dit paragraphe, et que l'on considérât les dispositions de l'Article X à la lettre, et dans leur acception absolue, l'arbitrage n'aurait plus sa raison d'être, et la Compagnie n'aurait point, d'ailleurs, reconnu que cette situation et ces droits étaient discutables en émettant la première l'idée de l'arbitrage.

Le Gouvernement Princier propose en conséquence la rédaction suivante du paragraphe 8:—

"Les parties intéressées s'obligent à exécuter la décision des Arbitres dans toute sa plénitude, et sans délai."

Telles sont, M. le Gérant, les considérations qui ont amené le Gouvernement Princier à faire les modifications proposées au projet de Convention que vous m'avez communiqué de la part du Gouvernement de la Grande-Bretagne.

J'aime à espérer que le Gouvernement de Sa Majesté Britannique, dans ses sentiments de bienveillance et son esprit de haute impartialité, voudra bien en reconnaître le bien-fondé, et approuver les vues du Gouvernement de Son Altesse mon auguste Souverain sur les dispositions préliminaires de l'arbitrage proposé.

Veuillez, &c.

(Signé) VOULCOVITCH.

Inclosure 2 in No. 153.

Bulgarian Draft of an Identic Note to the Signatory Powers of the Treaty of Berlin.

M. . . . . .

EN 1861 une concession fut donnée par la Sublime Porte pour la construction d'un chemin de fer de Varna à Roustchouk. Cette concession était pour quatre-vingt-dix-neuf ans et la Sublime Porte garantissait sur une dépense de 2,000,000*l.* un intérêt annuel de 140,000*l.* pour la première période de trente-trois ans, de 120,000*l.* pour la deuxième période de trente-trois ans, et de 100,000*l.* pour la troisième période de trente-trois ans.

La ligne fut achevée et ouverte en 1867 et l'intérêt qui était garanti fut payé chaque année jusqu'au 30 Juin, 1874 [*sic*], époque à laquelle les payements cessèrent.

D'après l'Article X du Traité de Berlin du 13 Juillet, 1878, les obligations de la Sublime Porte envers la Compagnie furent passées à la Bulgarie à dater du jour de l'échange des ratifications du Traité, c'est-à-dire du 3 Août, 1878.

Depuis ce jour cependant des difficultés se sont élevées sur la nature et l'étendue des obligations ainsi incombant à la Bulgarie, et enfin les deux Parties intéressées ont consenti d'un commun accord à soumettre la question à l'arbitrage et à la décision définitive des Ambassadeurs à Constantinople, Signataires du Traité de Berlin, à l'exception de la Turquie, le Gouvernement de la Sublime Porte devant être invité à se faire représenter pour la réglement de comptes antérieurs.

Une Convention déterminant l'objet et l'étendue de l'arbitrage proposé vient d'être conclue entre le Gouvernement de la Bulgarie et celui de Sa Majesté la Reine, Convention dont j'ai l'honneur de vous envoyer ci-joint copie, en vous priant M. —— de vouloir bien en donner communication dans les termes de la présente dépêche au Gouvernement de , et le prie en même temps d'autoriser son Ambassadeur à Constantinople d'entreprendre l'arbitrage proposé.

Une dépêche semblable a été adressée aux Représentants à Sophia des Puissances Signataires du Traité de Berlin, et le Gouvernement de la Grande-Bretagne enverra aussi une communication identique aux Ambassadeurs de Sa Majesté la Reine à Berlin, Paris, Rome, St. Pétersbourg, et Vienne.

Veuillez, &c.

Inclosure 3 in No. 153.

French Translation of Agreement, containing Alterations proposed by Bulgarian Government.

[Not printed.]

Inclosure 4 in No. 153.

Mr. R. J. Kennedy to M. Voulcovitch.

M. le Ministre, *Sophia, October* 10, 1882.

I HAVE the honour to acknowledge receipt of the note, and its inclosures, which your Excellency has been so good as to address to me under date of the 9th instant, relative to the arbitration which is to take place at Constantinople on the question in dispute between the Prince's Government and the Varna-Rustchuk Railway Company.

I cannot but express to your Excellency the great regret which I feel at the Prince's Government having considered it necessary to change the terms of the proposed Agreement with Her Majesty's Government to such an extent as to materially alter the whole state of the question; and I have the honour of stating that were there a Bulgarian Representative in London through whom your Excellency's communication could be conveyed to Her Majesty's Government, I should consider myself justified in asking that he should be made the channel for its transmission. Under the circumstances, however, I have no option but to forward to Lord Granville copy of your note and inclosures, though I cannot doubt that its reception will make a very unfavourable impression upon Her Majesty's Government.

I would beg, with your Excellency's permission, to make the following observations, without prejudice, however, to such remarks as, at a later date, Lord Granville may wish to offer upon the above-mentioned note which you have been so good as to address to me.

In the first place, I would venture to point out to your Excellency that this note was handed to me at the very moment when your Excellency was leaving Sophia for an absence of about a fortnight; that the decision on which it is founded was taken at a Council of Ministers which was held on Saturday, and that your Excellency, who cannot but be aware that all through these negotiations I have placed myself and my time entirely at your disposal, might, in the two days that elapsed between the decision being taken and the note transmitted, have, verbally at least, communicated to me its contents, in order that an attempt might have been made to clear up some of the points at issue, and to come to a mutual understanding without unnecessary loss of time.

One of the chief alterations that His Highness' Government proposes in the draft Agreement is that the question of the "comptes antérieurs" should be discussed at the Conference in the presence of Ottoman Representatives, and that the arbitrating Ambassadors should be asked to decide, "What are the obligations imposed upon Bulgaria by the Xth Article of the Treaty of Berlin in so far as the Varna-Rustchuk Railway Company is concerned?"

Your Excellency cannot but remember that in the first draft of an identic note which, on the 29th June, I had the honour of reading to your Excellency, the question to be submitted to the Conference was couched in the following terms: "What is the amount of the obligations laid upon Bulgaria as regards the railway by the Treaty of Berlin?" To this form of putting the question your Excellency not only objected as being too vague, but you also stated that the Bulgarian Government were opposed to the question of the amount due to the Company between the 30th June, 1875, and the date of the signature of the Treaty of Berlin being brought under discussion, on the ground that this was to be settled by a private arrangement between the Porte, the Principality, and the Company; that no attempt had as yet been made to come to such an arrangement, and that it would therefore be premature to ask the Conference to decide upon a question which, after all, might be amicably settled between the three contending parties; and in your note to me of the 4th July, your Excellency stated that "Le Gouvernement Princier croit devoir observer dès l'abord que c'est pour la première fois qu'il est question des arriérés dus avant la ratification du Traité de Berlin, et il estime que cette question, qui n'a jamais été comprise dans les conditions admises de part et d'autre pour être soumise à la Conférence, ne saurait évidemment être soumise à la

Conférence prochaine." In the same note your Excellency inclosed draft of an identic note omitting all reference to these arrears, and stating the only conditions which the Prince's Government had made to the acceptance of the arbitration, viz., (1) the right of the Bulgarian Government to send Representatives to the Conference; (2) a delay of six months (which expired on the 9th/21st August) in order that the Bulgarian Delegates might have time to study the question; and your Excellency added that "Le Gouvernement Princier ne met aucune autre condition à l'acceptation de l'arbitrage des Grandes Puissances, mais qu'il se réserve le droit de présenter la défense des intérêts de la Bulgarie comme il lui convient le mieux, sans qu'on ait le droit de lui opposer des résolutions antérieures."

I did not fail to inform Lord Granville of the objections put forward by your Excellency in transmitting to his Lordship copy of your note and inclosure of the 5th/17th July, and Her Majesty's Government at once struck out all reference to the arrears with the consent of the Railway Company, and reduced the question for the Ambassadors' decision to one as to the amount due by Bulgaria to the Company since the ratification of the Treaty of Berlin.

On the 7th/19th September I had the honour of placing in M. Natchovitch's hands, during your Excellency's absence, copy of the proposed new identic note, together with a draft Agreement defining, in order to prevent any misunderstanding, the object and scope of the arbitration, and nearly a fortnight later I asked your Excellency, on your return, what your views were on the subject; your Excellency replied that you had not yet had time to examine the papers, but on my verbally explaining their contents, you unhesitatingly replied that the striking out of the question of arrears removed the chief difficulty.

Two days later, viz., on the 22nd September/4th October, your Excellency informed me that there were one or two alterations which you would recommend the Conseil des Ministres to introduce, but these, with the exception of the change in the 8th clause, were so slight that I had no hesitation in saying that they would be taken into consideration by Her Majesty's Government.

No allusion was made either then or at any other time to the necessity of inviting Turkish Representatives to be present at the Conference in order that an examination of the "comptes antérieurs" should take place.

Since receiving your Excellency's last note, I have learnt that the Bulgarian Government interpret the phrase "comptes antérieurs" to mean the original sums of money spent on the construction of the railway, and that they consider the evidence of Turkish Representatives is necessary, in order that the amount of the capital upon which the Arbitrators will be asked to base the annual guarantee due by Bulgaria to the Company may be fixed. But, even supposing this interpretation be correct, the original cost of the railway can be ascertained by reference to the original documents, and by putting in as evidence the Report of the Commission sent recently by the Prince's Government to examine into the state of the line, and to estimate its original as well as its present value. The Company have also the right of furnishing a Counter-report, and upon the evidence thus put forward, together with such other as they may think proper to demand, the arbitrating Ambassadors can arrive at the necessary conclusion.

The proposal which the Bulgarian Government has made, that the award should be given unanimously, and not by the vote of the majority, is also put forward for the first time. It has always been understood by both parties that the decision should be that of the majority, and your Excellency, as well as others, have on several occasions alluded to those Powers whose Ambassadors, in the case of a division, would view the claims of Bulgaria in the most favourable manner. The rule that the decision of the majority should be binding holds good in almost every arbitration case, and your Excellency has only to refer to the Geneva Arbitration Conference of 1872 for an excellent precedent upon this point.

I have now pointed out to your Excellency the two important changes which, for the first time, and without any previous intimation, the Bulgarian Government have sought to introduce into this question, as well as the objections to them which have naturally suggested themselves to my mind; and it only remains for me, after apologizing for the length of this note, to state that I shall await the observations which Lord Granville may think proper to make upon your Excellency's communication.

I avail, &c.

(Signed) ROBT. J. KENNEDY.

No. 154.

Mr. R. J. Kennedy to Mr. Warburton.—(Received October .)

Sophia, October 10, 1882.

My dear Warburton,

I AM afraid that I am giving you a great deal of Varna-Rustchuk by this post, and not of a very pleasant nature. Voulcovitch's note took me quite by surprise, and as it cannot, I think, be considered as other than a refusal to go before the Conference, I ventured to take on myself the responsibility of at once protesting against it.

Mozley has also received a reply which he naturally considers as a refusal of his propositions. I hear very confidentially that, at the Council of Ministers, Voulcovitch, Grecoff, and Natchovitch were in favour of offering a larger sum, but this was opposed by the Russian Ministers, Sobolev and Kaulbars, with whom sided Teoharoff. As Soholev, the President of the Council, has a casting vote, he carried the day.

Mozley is preparing to leave. He has throughout acted with the greatest patience, perseverance, and good humour, and has been treated in the most shameful manner. I should not be surprised if, after all, at some later date, the Bulgarian Government purchased the railway, when they have screwed up their courage to approach his figures; but it will take some time for them to do this. Nothing short of actual force will bring them before the Conference, and I believe that the advice from St. Petersburgh is in favour of purchase. The question is beginning to assume a political aspect, and it will, I think, require to be handled with delicacy; so it is well that Lascelles is returning to his post.

Please remember that the information about the decision in the Council is very confidential, and also that Harrower's Report is secret, and that the Bulgarian Government not unnaturally mean to keep it so.

Believe me, &c.

(Signed) ROBT. J. KENNEDY.

No. 155.

Earl Granville to Mr. R. J. Kennedy.

(Commercial.)
(Telegraphic.) *Foreign Office, October* 20, 1882, 12·45 P.M.

VARNA Railway: Your telegram of 11th and despatch of 10th.

Her Majesty's Government are considering the new proposals of the Bulgarian Government.

They cannot agree to unanimous vote.

No. 156.

Sir J. Pauncefote to Mr. Taylor.

Foreign Office, October 20, 1882.

Sir,

WITH reference to Sir Charles Dilke's letter of the 9th August, inclosing a draft of an Agreement to be signed by the British and Bulgarian Governments defining the object and scope of the proposed arbitration by the Representatives of the Powers at Constantinople on the claims of the Company under the Xth Article of the Treaty of Berlin, I am now directed by Earl Granville to transmit to you, to be laid before the Board of Directors, a translation in French of this Agreement, containing certain alterations proposed by the Bulgarian Government, which has been received from Her Majesty's Chargé d'Affaires at Sophia.*

As regards the proposed alterations in Articles 1, 2, and 8, Lord Granville does not see any objection to acceding to the wishes of the Bulgarian Government, and he is disposed to think that it would be desirable that all questions arising under Article X of the Treaty of Berlin should be disposed of by the Arbitrators.

But Her Majesty's Government cannot consent to the alteration proposed in Article 6, whereby the award should be made by a unanimous vote instead of by a majority of the Arbitrators.

A copy of the original draft Agreement is also inclosed for reference.†

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

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* Inclosure 3 in No. 153.

† See Inclosure in No. 171.

No. 157.

Mr. R. J. Kennedy to Mr. Warburton.—(Received October .)

Sophia, October 21, 1882.

My dear Warburton,

LASCELLES will be here on Monday, and he will be able to start fresh on the subject of the new Bulgarian proposals on the Varna-Rustchuk Railway question, which the Foreign Office telegram received this morning informs me are being considered.

The Ministers have not yet returned from Rustchuk, but they will probably be all here in the course of the next day or two, with the exception of Voulcovitch, who is going to Constantinople, and for whose return no date is named. All the foreign Agents who have an accumulation of business to get through with him are complaining most bitterly of his constant neglect of his official duties and of the utter impossibility of dealing with him.

With regard to the question of the Conference, my private opinion, which, however, you must take for what it is worth, is that even when you have got the Bulgarian Government to agree to the preliminary conditions, and when the Conference has given its award, the question will by no means be settled. The Bulgarians will resort to every device to avoid carrying the decision into effect, and they will not hesitate to declare themselves bankrupt, if necessary. The Russians are most anxious that any money Bulgaria may have should be spent on the construction of a railway to the Danube, whilst the Austrians are equally keen about the international line.

The Prince, I hear, is disappointed at the failure of the Mozley scheme, as he has always been in favour of it, but he told Mozley that, in face of the opposition of the Russian Ministers, he could do no more than he had done. If the Company would reduce their demands, the Bulgarian Government could, I think, with pressure and patience, be brought up to 40,000,000 fr., but they will hardly be got much over that figure. Voulcovitch and Grecoff are, I understand, in favour of that sum, but, at the last Council of Ministers held here, Sobolev accused them of being "advocates of English interests," and hinted that they had taken "backsheesh." Voulcovitch, who has a very thick skin, and who has pocketed too many insults to mind remarks of this sort, took no notice, but Grecoff, who is a different stamp of man, was very indignant, and threatened to resign. Sobolev was induced later on to apologize, and the two kissed and made friends.

This is the last letter on this subject with which I shall bother you, though when I am in London, if I can be of any use to you, do not hesitate to let me know. We leave Sophia a couple of days after Lascelles' arrival, for Constantinople, and after spending a few days at the Embassy, we go to England by Varna and Vienna.

Believe me, &c.

(Signed) ROBT. J. KENNEDY.

No. 158.

Mr. Taylor to Sir Charles W. Dilke.—(Received November 10.)

Varna Railway Company, Offices, 56, *New Broad Street, London, November* 9, 1882.

Sir,

I AM requested by the Board, in acknowledging the receipt of your letter of the 20th ultimo, to express to Lord Granville their great obligation for the solicitude shown by his Lordship for the interests of the Varna Railway Company, in not permitting the questions between the Government of Bulgaria and the Company, under the Treaty of Berlin, to remain longer undecided; and my Board, while concurring in the views suggested in your letter with regard to the clauses of the Agreement, would venture to draw attention to the danger of admitting the Imperial Ottoman Government into the discussion of the principal questions between the Company and Bulgaria proposed to be submitted to the Ambassadors when assembled.

Those relating to "the previous accounts" in which Turkey is interested are altogether distinct from the issues and differences raised between the Company and the Bulgarian Government, and while appreciating the wisdom of using the proposed meeting of the Ambassadors as an opportunity of imposing upon all parties the necessity of the settlement of "the previous accounts," yet the Directors trust that the Ambassadors will

hear, decide, and award upon the distinct issues, separate and apart from each other, that is to say, upon—

1. The issues between the Company and the Government of Bulgaria under Article X of the Treaty of Berlin.

2. The issues and questions of difference between this Company and the Imperial Ottoman Government and that of Bulgaria on "the previous accounts."

These matters are separately referred to in the Berlin Treaty, and it is suggested that the distinction should be maintained.

The only other remarks that occur to my Board are that—

1. Perhaps the word "Delegates" might be a more apt description than the word "Representatives" of the functionaries to appear on the part of the Imperial Ottoman Government, as proposed in the second paragraph of Article 1 of the Agreement.

2. That the 6th clause, as proposed by the Government of Bulgaria, should be deleted, and the original clause should stand.

Subject to these observations, submitted for the consideration of Earl Granville, the Directors are prepared to accept the Agreement, and to proceed with the reference. They would, however, suggest the expediency of pressing on the assemblage of the Ambassadors so soon as Lord Dufferin shall return to Constantinople, or some other Ambassador shall be appointed in his place.

I am, &c.

(Signed) G. CAVENDISH TAYLOR, *Chairman.*

No. 159.

Extract from the "Standard" of November 16, 1882.

BULGARIA.

(From our Correspondent.)

Vienna, Wednesday night.

FROM a diplomatist resident in Bulgaria, who is in a position to know everything of importance which is going on behind the scenes, I learn that Russian influence has for some time past been increasing in the Principality, and that a feeling hostile to Austria is gaining ground. The sale of the Varna and Rustchuk Railway to the Bulgarian Government had been as good as settled when the Russians raised an energetic opposition to the scheme, with the result that the negotiations have been entirely broken off. In Eastern Roumelia, too, the Russians have been straining every nerve to bring the Government completely under their power, but that Principality still continues, as it has done from the first, to reject the Russian advances.

Throughout the summer and autumn brigandage has been rife in Bulgaria, although the Principality has for a long time past been under martial law. It is evident that the authorities care less about suppressing the banditti than about muleting the Mussulman villages in heavy fines on the pretext of their harbouring and being accomplices of the outlaws. Yet there is no doubt that the robber bands contain in their ranks as many Bulgarians as Turks. In fact, it is the Turkish or Mahommedan inhabitants who have been almost exclusively suffering from the depredations of the brigands. The natural consequence is that the Mussulman families are emigrating in increasing numbers. And, whatever Bulgarian Ministers may say to the contrary, there can be no doubt that this result has all along been intended, except, perhaps, when General Ehrnrooth was in power. The Turkish element of the population has been, and is being, purposely driven out of the country, and forced to abandon their ancestral farms, in order that the Bulgarian leaders may buy them up at a mere nominal price.

Prince Alexander, who has been staying some time at Rustchuk, has now gone to Sophia, where a new palace has been prepared as his principal residence. The National Assembly will be convoked in a few days. There will be little interest in its proceedings, as it will not be permitted to do anything but simply ratify the measures of the Government.

No. 160.

Earl Granville to Mr. Wyndham.

(Commercial.)
(Telegraphic.)

Foreign Office, November 24, 1882, 2·45 P.M.

THE Bulgarian Government are willing to refer to arbitration of Ambassadors at Constantinople amount of its obligations to Varna-Rustchuk Railway Company under Article X of Treaty of Berlin, and also, with addition of Turkish Representative, settlement of previous accounts under same Article. Her Majesty's Government agree as regards first question. Ask Porte whether they agree as to second.

No. 161.

Mr. Wyndham to Earl Granville.—(Received November 25, 1·45 P.M.)

(Commercial.)
(Telegraphic.)

Constantinople, November 25, 1882, noon.

YOUR telegram of yesterday.

Before making any communication to the Porte on the subject, I should be glad to know whether Her Majesty's Government still consider a debt of 140,000*l.*, acknowledged but unpaid by it, as not coming within the scope of the Xth Article of the Treaty of Berlin. (See Sir H. Layard's No. 57, Commercial, and your Lordship's No. 85, Commercial, of the 4th and 17th May respectively.)

Porte has, within the last few days, informed me that the Council of Ministers has decided that debt is, under the above-mentioned Article, payable by Bulgaria, and has asked me to take steps to bring about the meeting of the Commission referred to in Lord Dufferin's No. 79, Commercial, of the 29th August, 1881.

No. 162.

Earl Granville to Mr. Wyndham.

(No. 87. Commercial. Ext.)

Foreign Office, November 25, 1882.

Sir,

THE Government of Bulgaria have now signified their readiness to refer to the arbitration of the Ambassadors at Constantinople the two following points in connection with the Varna-Rustchuk Railway, viz.:—

1. The amount of the obligations imposed on the Government of Bulgaria to the Company by Article X of the Treaty of Berlin.

2. To submit to them the settlement, under the same Article, of the accounts outstanding prior to the date of the Treaty.

Her Majesty's Government having agreed to the former of these points, I have to request you to ascertain if the Porte is disposed to avail itself of the same opportunity of settling by arbitration the issues involved in the latter category.

I have to-day addressed a telegraphic communication to you in the sense of this despatch.

I have, &c.
(Signed) GRANVILLE.

No. 163.

Earl Granville to Mr. Wyndham.

(Commercial.)
(Telegraphic.)

Foreign Office, November 30, 1882, 4·15 P.M.

VARNA Railway.

In my telegram of 24th, cancel the words, "with addition of Turkish Representative."

Your telegram of 25th.

It is not necessary to allude to the particular sum of 140,000*l.* to which you refer in making communication to the Porte.

No. 164.

Earl Granville to Mr. Wyndham.

(No. 90. Commercial. Ext.)

Foreign Office, November 30, 1882.

Sir,

YOU will have the goodness to cancel the words, "with addition of Turkish Representative," in my Commercial telegram of the 24th on the subject of the Varna-Rustchuk Railway Company's claims.

As regards the sum of 140,000*l.* to which reference is made in your telegram of the 25th, I am of opinion that you should make no allusion to it in acting on my telegraphic instructions of the 24th instant.

I have this day addressed a telegram to you in the sense of this despatch.

I am, &c.
(Signed) GRANVILLE.

No. 165.

Mr. Wyndham to Earl Granville.—(Received December 11.)

(No. 115. Commercial.)

Constantinople, December 1, 1882.

My Lord,

I HAVE the honour to inclose herewith to your Lordship copy of a *note verbale* which I have this day addressed to the Sublime Porte, in compliance with the orders contained in your Commercial telegrams of the 24th and 30th ultimo respectively.

Your Lordship will observe that, in requesting the Porte to inform me whether they agree to refer to the arbitration of the Ambassadors at Constantinople the amount of the obligations of Bulgaria to the Varna-Rustchuk Railway Company, and likewise the settlement of previous accounts, under the Xth Article of the Treaty of Berlin, I have made no allusion to the sum of 140,000*l.* respecting which I telegraphed to your Lordship on the 25th instant.

I have, &c.
(Signed) HUGH WYNDHAM.

Inclosure in No. 165.

Note Verbale.

HER Majesty's Embassy has the honour to inform the Sublime Porte that the Government of the Principality of Bulgaria are willing to refer to the arbitration of the Ambassadors accredited to His Imperial Majesty the Sultan the amount of its obligations to the Varna-Rustchuk Railway Company under the Xth Article of the Treaty of Berlin, and likewise the settlement, under the same Article, of previous accounts.

Her Majesty's Embassy is at the same time directed to state that the British Government agrees as regards the first question, and to inquire whether the Sublime Porte agrees as to the second.

(Signed) HUGH WYNDHAM.

Constantinople, December 1, 1882.

No. 166.

Mr. Taylor to Sir J. Pauncefote.—(Received January 13.)

42, Elvaston Place, South Kensington, January 12, 1883.

Dear Sir Julian Pauncefote,

WOULD it not expedite matters if the draft of Agreement as altered was sent to the Bulgarian Government without waiting for an answer from the Porte? I am afraid that if the matter is delayed pending the pleasure of the Sultan, progress in the negotiations will be hung up indefinitely, and the Bulgarian Government will take advantage of it.

I understand that the Bondholders Committee have heard from Sophia that the Bulgarian Government express surprise at not having received a further communication in reply.

Pardon my troubling you with this. The delay is causing great anxiety among those interested in a settlement.

Believe me, &c.
(Signed) G. C. TAYLOR.

No. 107.

Mr. Lascelles to Earl Granville.—(Received January 15, 1883.)

(No. 28. Commercial.)
Sophia, December 19, 1882.

My Lord,

I HAVE the honour to inclose a copy of a Confidential despatch which I have received from the British Vice-Consul at Rustchuk reporting certain important changes which have been made in the accounts of the Varna Railway by direction of the Working Company, the result of which will be to bring thirteen months' expenditure into the accounts for the year 1882.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 107.

Vice-Consul Dalziel to Mr. Lascelles.

(Confidential.)
Rustchuk, December 6, 1882.

Sir,

I HAVE the honour to inform you that orders have been received by the direction of the Working Company of the Varna Railway to make certain very important changes in their accounts.

Hitherto the accounts have been made up till the last day of each month, and the payments for wages, &c., made in the first week of the following month; by the new arrangements accounts are to be made up as at the end of the month, but payments are to be made by anticipation, on or before the 25th; the result will be to bring thirteen months' expenditure into the year 1882.

This may be only because this year's working has been very profitable, as much as 8,000*l.* having been remitted to Paris last month, after paying all expenses, and it is not desired to show a too favourable statement; but probably there are other reasons, for I have heard that the Baron Hirsch is determined to get rid of his connection with this railway.

I have also been informed that the Baron Hirsch has published a statement showing the working expenses for last year to be between 5,000 fr. and 6,000 fr. per kilom. This has very much surprised the employés here, who cannot, even allowing for coal purchased at home, which is the only considerable item not paid here, bring the expenses out at more than 3,500 fr. per kilom., unless the salaries of the Paris Direction swallow up the difference of 2,000 fr. per kilom.

During last year 30,000*l.* of surplus money was remitted to Paris after paying all expenses.

I have, &c.
(Signed) W. H. DALZIEL.

No. 108.

Mr. Wyndham to Earl Granville.—(Received January 15.)

(No. 1. Commercial.)
Constantinople, January 8, 1883.

My Lord,

WITH reference to my despatch No. 115, Commercial, of the 1st ultimo, I have the honour to transmit herewith to your Lordship a copy of a letter which I have received from Mr. Timoni, the agent of the Varna Railway Company, requesting that

an official demand may be made to the Sublime Porte for the payment of the sum of 140,000*l.*, which has been due to the Company ever since May 1876.

As regards this subject, I have also the honour to state that, in accordance with the instructions contained in your Lordship's Commercial telegram of the 6th instant, I called to-day upon Aarifi Pasha and pressed His Highness to reply as soon as possible to the note addressed to the Sublime Porte by Her Majesty's Embassy on the 1st ultimo.

His Highness answered that he would bear my request in mind.

I have, &c.
(Signed) HUGH WYNDHAM.

Inclosure in No. 108.

Mr. Timoni to Mr. Wyndham.

Excellency,
Varna Railway Company, Constantinople, January 4, 1883.

REFERRING to my Petition addressed to your Excellency on the 28th November last, stating most distinctly the lawful rights of the Varna Railway Company against the Imperial Ottoman Government for the payment of the sum of 140,000*l.* due ever since May 1876, as per obligation in my possession, I beg to call your Excellency's attention to said payment, which was duly acknowledged by the Sublime Porte and reported as such by the Earl of Dufferin to me in August 1881.

Unfortunately, said claim has been so long pending that I trust your Excellency will permit me to remark that it would be most advantageous, and also strengthen our claim, should an official demand be made to the Sublime Porte for the payment of the 140,000*l.* due ever since May 1876, such delay being to the immense prejudice and detriment of the share and bond holders of the Varna Railway Company.

Soliciting your Excellency's high support, I have, &c.
(Signed) MICHEL TIMONI,
Varna Railway Company's Agent.

No. 109.

Mr. Wyndham to Earl Granville.—(Received January 23.)

(No. 5. Commercial.)
Constantinople, January 11, 1883.

My Lord,

SINCE the receipt of your Lordship's telegram of the 6th instant I have lost no opportunity of pressing the Sublime Porte for a reply to my note of the 1st December on the subject of the desire of the Bulgarian Government to submit to the arbitration of the Ambassadors at Constantinople the two points in connection with the Varna-Rustchuk Railway mentioned in your Lordship's despatch No. 87, Commercial, of the 25th November.

From information I have received at the Sublime Porte, it appears that the note in question was referred to the Ottoman Crown Lawyers for their opinion, and I have learnt, confidentially, that their views on the subject are not opposed to those of Her Majesty's Government.

Their Report is said to have been translated, and to be ready for submission to the Grand Vizier, and I am informed that the reason why it has not yet been presented to his Highness is that the Minister for Foreign Affairs wishes to forward to his Highness at the same time the correspondence which has taken place respecting the Commission appointed to assemble at the Ministry of Public Works for the purpose of settling the accounts of the Varna-Rustchuk Railway Company, and which has been unable to pursue its labours owing to the absence of the Bulgarian delegate.

It is further stated that the Report which Aarifi Pasha is about to address to the Grand Vizier will be submitted to the consideration of the Council of Ministers.

This is all the information on the subject that I have been able to gather up to the present date.

I have, &c.
(Signed) HUGH WYNDHAM.

No. 170.

Earl Granville to Mr. Lascelles.

(No. 2. Commercial.) (Telegraphic.)

Foreign Office, January 23, 1883.

VARNA Railway. Her Majesty's Government accede to proposal to submit to arbitration the previous accounts, provided Company's claim be not thereby delayed. Despatch follows.

No. 171.

Earl Granville to Mr. Lascelles.

(No. 3. Commercial.)

Foreign Office, January 23, 1883.

Sir,

WITH reference to my telegram to Mr. Kennedy of the 20th October, I have to inform you that Her Majesty's Government have considered the alterations which the Bulgarian Government desire to have made in the draft Agreement between the two Governments defining the scope and object of the arbitration by the Ambassadors at Constantinople in regard to the claims of the Varna Railway Company under the Xth Article of the Treaty of Berlin.

Her Majesty's Government regret that the Bulgarian Government should have thought proper to propose new conditions after so many delays, and after stating so long ago as July last that the only conditions which the Prince's Government made to the acceptance of the arbitration were that Bulgaria should have the right to send Representatives before the Conference, and that a delay should be granted to enable those Representatives to study the question, both of which conditions were conceded by Her Majesty's Government.

The settlement of the previous accounts mentioned in Article X of the Treaty of Berlin, was excepted from the arbitration at the wish of the Bulgarian Government, and Her Majesty's Government readily acceded thereto, as the settlement of those previous accounts forms a totally distinct claim, and they are unable to perceive that it has any bearing on the liability of the Bulgarian Government towards the Company in respect of their claims subsequent to the date of the exchange of the ratifications of the Treaty of Berlin. Her Majesty's Government, however, have no objection to the settlement of those previous accounts being also submitted to the Arbitrators, provided that it shall not delay or interfere with the disposal by the Arbitrators of the other claims already agreed to be referred to them. It is evident, however, that the settlement of the previous accounts cannot be referred to arbitration without the consent of the Imperial Ottoman Government. This has been the cause of the delay which has occurred in replying to Mr. Kennedy's despatch No. 24 of the 10th October last. On the 24th November last I instructed Her Majesty's Chargé d'Affaires at Constantinople to ask the Porte whether they were willing to accede to the proposal of the Bulgarian Government that they should join in the arbitration for the purpose of settling the previous accounts referred to in Article X of the Treaty of Berlin; but, in spite of renewed inquiries, Her Majesty's Government have been unable as yet to obtain a reply.

Her Majesty's Government strongly deprecate any further delay, and they must call on the Bulgarian Government to fulfil their engagements, and to proceed with the arbitration as originally stipulated; but they are willing to insert in the Arbitration Agreement a clause providing that the Porte shall be invited by both Governments to join in submitting the previous accounts to the arbitration of the Ambassadors at Constantinople.

Her Majesty's Government cannot agree to the innovation proposed in Article 6, to the effect that the award must be unanimous. Such a provision in a case like the present would be unprecedented, and it could hardly fail to defeat the object for which the arbitration is resorted to, namely, a speedy and definitive settlement of the questions involved; but in order to avoid further delay and unprofitable discussions, Her Majesty's Government accede to the other amendments in the Agreement proposed by the Bulgarian Government, and to the terms of the identic note inclosed in M. Voulcovitch's note to Mr. Kennedy of the 27th October last.

I have to add that I entirely approve Mr. Kennedy's note to M. Voulcovitch, copy of which is inclosed in his No. 24, Commercial, of the 10th October last.

Copies of the draft Agreement, as now amended, are inclosed, and I have to instruct you to communicate one of them to the Bulgarian Government, together with the substance of this despatch.

I am, &c.
(Signed) GRANVILLE.

Inclosure in No. 171.

Draft Agreement between the Governments of Great Britain and Bulgaria for referring to Arbitration the Claims of the Varna and Rustchuk Railway Company.

WHEREAS by Article X of the Treaty signed at Berlin on the 13th day of July, 1878, between Great Britain, Germany, Austria, France, Italy, Russia, and Turkey, it is stipulated as follows: "Bulgaria takes the place of the Imperial Ottoman Government in its undertakings and obligations towards the Rustchuk-Varna Railway Company, dating from the exchange of the ratifications of the present Treaty. The settlement of the previous accounts is reserved for an understanding between the Sublime Porte, the Government of the Principality, and the Administration of this Company:"

And whereas differences have arisen between the Government of Bulgaria and the Varna and Rustchuk Railway Company as to the amount of the obligations laid on Bulgaria under the following words of the said Treaty:—

"Bulgaria takes the place of the Imperial Ottoman Government in its undertakings and obligations towards the Rustchuk-Varna Railway Company, dating from the exchange of the ratifications of the present Treaty:"

And whereas the Governments of Great Britain and of Bulgaria have agreed (with the assent of the Railway Company) that the said differences should, if possible, be referred to the arbitration and final award of the Ambassadors at Constantinople of the Powers hereinafter mentioned, Parties to the Treaty of Berlin, on the term and conditions hereinafter contained:

The Undersigned, duly authorized to this effect by their respective Governments, have agreed as follows:—

1. The Governments of Great Britain and of Bulgaria will forthwith request the Governments of Germany, Austria, France, Italy, and Russia to authorize and empower their respective Ambassadors at Constantinople to act with the Ambassador of Great Britain as Arbitrators for the settlement of the said differences.

2. If the said Governments shall accede to the above request, the following question shall be referred to the Arbitrators for their final award, that is to say:—

"What is the amount of the obligations laid on Bulgaria towards the Varna and Rustchuk Railway Company by Article X of the Treaty of Berlin, as regards the claims of the Varna and Rustchuk Railway Company, subsequent to the date of the exchange of the ratifications of the said Treaty, namely, the 3rd August, 1878?"

3. In the case of the death, absence, or incapacity of any one of the Arbitrators, his place shall be filled by the Ambassador succeeding him, or by the Chargé d'Affaires who may be for the time being intrusted with the discharge of his duties.

4. The Bulgarian Government and the Varna-Rustchuk Railway Company shall each have the right of sending Representatives to present and support their respective cases before the Arbitrators.

5. The Rules of Procedure to be followed in the arbitration, and all other matters incidental thereto, and not provided for by this Agreement, shall be determined by the Arbitrators.

6. The award shall be made in writing, and the decision of the majority of all the Arbitrators shall be binding and conclusive as regards the award, and all other matters left to their determination.

The Arbitrators shall choose a President, who shall have a casting vote in the event of an equal division of votes on any question left to their determination.

7. The costs of and attending the arbitration shall be in the discretion of the Arbitrators, and shall be borne by the Bulgarian Government and the Varna and Rustchuk Railway Company in such manner as the Arbitrators shall decide.

8. The award of the Arbitrators shall be executed fully and without delay by the parties bound thereby.

9. And whereas no settlement has been arrived at under the following words of the said Article X of the Treaty of Berlin:—

"The settlement of the previous accounts is reserved for an understanding between

the Sublime Porte, the Government of the Principality, and the Administration of the said Company."

It is hereby further agreed that Her Majesty's Government and the Bulgarian Government will invite the Imperial Ottoman Government to submit to the award of the said Arbitrators the settlement of the previous accounts mentioned in Article X of the said Treaty, and for that purpose to send Representatives to support their interests before the Arbitrators.

In witness whereof, the Undersigned have signed the present Agreement, and have affixed thereto the seal of their arms.

Done at

No. 172.

Lord E. Fitzmaurice to Mr. Taylor.

Foreign Office, January 23, 1883.

Sir,

I HAVE laid before Earl Granville your letter of the 12th instant respecting the claims of the Varna-Rustchuk Railway against the Government of Bulgaria. As you are aware, the Bulgarian Government desires that the settlement of the previous accounts mentioned in Article X of the Treaty of Berlin should be referred to arbitration, as well as the question of the amount of the obligations imposed on Bulgaria towards the Company from the date of the exchange of the ratifications of the said Treaty.

Her Majesty's Government have acceded to this request, provided the question of the claims of the Company against Bulgaria subsequent to the Treaty of Berlin shall not be thereby delayed, and they have consented to add to the Arbitration Agreement for referring these an undertaking to invite the concurrence of the Porte. The draft Agreement as amended has been returned to Her Majesty's Agent and Consul-General at Sophia for communication to the Bulgarian Government, and I am to inclose a copy for communication to the Company.*

I am, &c.

(Signed) EDMOND FITZMAURICE.

No. 173.

Mr. Taylor to Lord E. Fitzmaurice.—(Received January 26.)

Varna Railway Company, Offices, 56, *New Broad Street, London, January* 25, 1883.

My Lord,

I HAVE the honour to acknowledge the receipt of your letter of the 23rd January, with inclosures, and to thank your Lordship for same.

I also beg to express the thanks of myself and colleagues to Earl Granville for the action taken in the interest of the Varna Railway Company by the Department over which his Lordship presides.

I have, &c.

(Signed) G. C. TAYLOR, *Chairman.*

No. 174.

Mr. F. Mozley to Sir J. Pauncefote.—(Received January 27.)

31, *Lombard Street, London, January* 27, 1883.

Sir,

YOU will probably recollect that in March last, accompanied by Mr. Lewin Mozley, I had the honour of meeting you with the late Lord Tenterden, on the introduction of my friend Mr. Childers; and you are, I believe, aware that I have been until recently in Sophia as delegate for the Varna Railway Bondholders Committee, and with the sanction of the Board of Directors, negotiating with the Bulgarian Government for an amicable settlement of the Varna Railway affair.

I am further under the impression that, through Her Majesty's Representatives, Mr. Lascelles and Mr. Kennedy, with whom I have been throughout on most friendly terms, you have been made aware of all important features of my negotiation.

* Inclosure in No. 171.

Although I have had some indirect communication with the Foreign Office, I have not thought it needful to trouble you personally until the present moment.

On quitting Sophia I left my Secretary to represent me, and I have received from him an important telegram, the contents of which I shall be glad to have the opportunity of communicating to you, in the belief that they will be of interest.

May I ask the favour of a short interview for myself and Mr. Lewin Mozley some time to-day if possible?

I have, &c.

(Signed) FREDERICK MOZLEY.

No. 175.

Mr. L. Mozley to Sir J. Pauncefote.—(Received February 9.)

31, *Lombard Street, London, February* 8, 1883.

Sir,

WHEN Mr. Frederick Mozley last saw you, you were good enough to express a wish to be kept informed as to the progress of my negotiation for the sale of the railway. I am unwilling to trespass on your valuable time, personally, without sufficient cause, but I think it may interest you to read the inclosed copy of a telegram just received from my representative, Mr. Kaufmann, at Sophia.

In order to understand its import, I would mention that, under pressure from my principals, the Committee of Bondholders, I telegraphed to Mr. Frederick Mozley, at Sophia, last October, requiring him to give to the Bulgarian Government a sort of ultimatum, demanding an immediate reply to the offer which was then before them for the purchase of the line at about 50,000,000 fr. The Bulgarian Government was then hampered politically, the new Russian officials were unacquainted with the question before them, and they replied to our offer by the counter-offer of 31,000,000 fr.

This I considered so inadequate that I instructed Mr. Frederick Mozley to come home, leaving Mr. Kaufmann unofficially to represent him. Mr. Kaufmann's constant endeavour since that time has been to induce the Bulgarian Government to recall their ridiculous offer and reopen the negotiation. They, however, have always pretended that the move must come from our side.

You will see by the telegram above referred to that the Bulgarians have at last come to reason, and I think there is now every probability of my being in a position to arrange such a compromise as will satisfy all parties.

I am strongly of opinion that the present complacent bearing of the Bulgarians is, in a great measure, owing to their desire to be present at the Danubian Conference, and a wholesome fear of the view that Her Majesty's Government may take of their past conduct; and I would respectfully submit for your consideration that a continuance of the firm attitude recently assumed by your Department would greatly tend to a speedy solution of this long-pending difficulty.

I am, &c.

(Signed) LEWIN MOZLEY.

Inclosure in No. 175.

Mr. Kaufmann to Mr. Mozley.

Sophia, February , 1883.

(Telegraphic.)

THE Bulgarian Government handed me an official letter, addressed to Frederick, acknowledging our refusal letter of the 10th October. The Bulgarian Government express their best wishes and desire of a new sale offer.

Communicate that, to facilitate a mutual understanding, the Bulgarian Government authorized Voulcovitch to take up the Varna negotiation by your mediation. Remit aforesaid document by to-morrow's post.

No. 176.

Mr. Lascelles to Earl Granville.—(Received February 10, 8 A.M.)

(No. 4.)
(Telegraphic.) *Sophia, February 9, 1883, 9·5 P.M.*

YOUR despatch No. 3, Commercial.

Bulgarian Government object to casting vote being given to President, and suggest that in case of equal division of votes the question should be referred to an umpire chosen by the two parties.

With this alteration they are prepared to proceed to arbitration.

M. de Stoïloff would personally prefer that in Article 2 the words "Varna (?) and Rustchuk Railway Company" should be omitted.

No. 177.

Mr. Lascelles to Earl Granville.—(Received February 20.)

(No. 1. Commercial.) *Sophia, February 8, 1883.*

My Lord,

ON the receipt of your Lordship's despatch No. 2, Commercial, of the 23rd ultimo, relative to the question of the claims of the Rustchuk-Varna Railway Company, I communicated its substance, verbally, to M. Stoïloff, and I subsequently handed to him the note of which I have the honour to inclose a copy.

At the first of these interviews I told M. Stoïloff that I regretted that it became my duty to address such a communication to him, but that I was not surprised that Her Majesty's Government had got impatient at the frequent delays which the Bulgarian Government had interposed in the settlement of this question, and I reminded him that on my return to my post in the month of October last I had warned both him and M. Vouleovitch that Her Majesty's Government would strongly oppose any further delay in the settlement of this long-impending question.

M. Stoïloff replied that he would submit the question to the Prince of Bulgaria and to the Council of Ministers, and hoped in a short time to be able to give me an official answer to the effect that Bulgaria would be prepared to proceed at once with the arbitration; he added that although such would be the sense of the official answer to my note he still hoped that it might be possible to arrange the matter directly with the Company, and that M. Vouleovitch, who had gone to London with the view of representing Bulgaria if she should be admitted to the Danube Conference, was also authorized to treat with the Company.

I told M. Stoïloff that I could only repeat the language which I had frequently used both to him and to his predecessor, viz., that as the Bulgarian Government had consented to go to arbitration it was my duty officially to hold them to that arrangement, but that I was convinced that no objection would be raised by Her Majesty's Government to an agreement being come to, before the Conference of Ambassadors met at Constantinople, which might be satisfactory to both parties, and I was convinced that it would be to the interest of Bulgaria to come to terms with the Company on the basis proposed by Mr. Mozley. As, however, the negotiations with that gentleman had failed, Her Majesty's Government were strongly opposed to any further delay, and found themselves obliged to call upon the Bulgarian Government to fulfil their engagement to proceed to arbitration. I also told M. Stoïloff that in my opinion, which I believed was shared by Her Majesty's Government, the conditions laid down in M. Vouleovitch's note of the $\frac{25\text{th September}}{7\text{th October}}$ were merely an attempt on his part to delay the settlement of the question.

In my subsequent interview with M. Stoïloff he informed me that he had been informed by M. Grecoff, who had been charged with the negotiations with Mr. Mozley, that the question of the settlement of the previous accounts had been put forward because, in the opinion of the Bulgarian Government, these previous accounts referred to the original cost of the line, and that if the Arbitrators should decide that the sum to be paid by Bulgaria should not represent the interest upon the amount of the original cost, the Company would have a claim against the Turkish Government which it would be impossible to settle unless the Porte were represented in the Conference of Ambassadors. With regard to the condition that the decision of the Arbitrators should be unanimous, M. Stoïloff told me that it had been put forward in consequence of the proposal of Her Majesty's Government that, in the event of an equal division of votes, a casting vote

should be given to the President. Such a proposal was considered objectionable, and M. Stoïloff said that the usual course in case of an equal division of votes on the part of the Arbitrators would have been to have agreed to refer the matter to an umpire chosen by the two parties.

I replied that it appeared to me that, as Bulgaria had been substituted for the Porte by the Xth Article of the Treaty of Berlin, any claims that the Company might have in respect of the railway since the date of the ratifications of that Treaty must be against the Bulgarian Government, and that it was inconceivable that the decision of the Arbitrators, whatever it might be, could by any possibility create a claim against Turkey in respect of what had occurred subsequently to that date. The previous accounts mentioned in the Xth Article of the Treaty appeared to me to refer to the claims which the Company might have against Turkey in respect of the years previous to the date of the exchange of the ratifications during which she had failed to pay the sum stipulated to the Company. To this M. Stoïloff replied that he did not understand why, if this were the case, the Treaty should have provided that Bulgaria should be a party to the settlement of the previous accounts.

With regard to the question of unanimity on the part of the Arbitrators, I told M. Stoïloff that I had no doubt that Her Majesty's Government would have taken into consideration any objections the Bulgarian Government might have thought fit to raise against the proposal of giving a casting vote to the President in case of an equal division of votes, and that it would have been better if the Bulgarian Government had frankly stated their objections to the proposal of Her Majesty's Government instead of putting forward an inadmissible condition.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 177.

Mr. Lascelles to M. Stoïloff.

M. le Ministre, *Sophia, le 5 Février, 1883.*

MR. KENNEDY n'a pas manqué de transmettre au Principal Secrétaire d'État de Sa Majesté Britannique pour les Affaires Étrangères la note que le prédécesseur de votre Excellence a bien voulu lui adresser en date du $\frac{27\text{ Septembre}}{9\text{ Octobre}}$, et je suis chargé par sa Seigneurie d'informer votre Excellence que le Gouvernement de Sa Majesté a pris en considération les modifications que le Gouvernement de Son Altesse a cru devoir apporter dans le projet de Convention entre les deux Gouvernements, pour fixer l'étendue et but de l'arbitrage que les Ambassadeurs des Puissances Signataires du Traité de Berlin auraient à entreprendre, en vue de la solution de la question pendante entre le Gouvernement de la Bulgarie et la Compagnie du Chemin de Fer Roustchouk-Varna.

Le Gouvernement de Sa Majesté regrette que le Gouvernement de Son Altesse ait cru devoir proposer de nouvelles conditions après tant de délais, et après avoir déclaré déjà au mois de Juillet dernier que les seules conditions que le Gouvernement Princier mettait à l'acceptation de l'arbitrage étaient:—(1) que la Bulgarie aurait le droit d'envoyer dans la Conférence à Constantinople des Représentants pour exposer sa cause et défendre en toute liberté les droits de la Principauté vis-à-vis de la Compagnie; et (2) qu'un délai de six mois serait accordé afin de donner du temps aux Délégués Bulgares pour étudier la question.

Ces deux conditions ont été acceptées par le Gouvernement de Sa Majesté.

Le réglement des comptes antérieurs dont fait mention l'Article X du Traité de Berlin a été excepté de l'arbitrage sur la demande du Gouvernement Bulgare, et le Gouvernement de Sa Majesté y a adhéré d'autant plus promptement puisque le réglement de ces comptes antérieurs est tout à fait à part. Le Gouvernement de Sa Majesté ne voit pas comment le réglement de ces comptes peut avoir un rapport quelconque avec les obligations du Gouvernement Bulgare vis-à-vis de la Compagnie depuis la date de l'échange des ratifications du Traité de Berlin. Néanmoins, le Gouvernement de Sa Majesté ne désire soulever aucune objection à ce que la question du réglement de ces comptes antérieurs soit aussi soumise aux arbitres, pourvu que cet arrangement n'entraîne pas un nouveau délai et n'empêche pas la décision des arbitres sur les obligations que les deux parties ont consenti à leur soumettre. Il est, tout de même, évident que le réglement des comptes antérieurs ne saurait être soumis à l'arbitrage sans le consentement du Gouvernement Impérial Ottoman; et c'est là la cause du

retard qui a eu lieu en répondant à la note de son Excellence M. Vouleovitch du 25 septembre / 7 octobre.

Le 24 du mois de Novembre dernier le Chargé d'Affaires de Sa Majesté à Constantinople a été chargé de demander à la Sublime Porte si elle adhérait à la proposition du Gouvernement Princier de prendre part à l'arbitrage dans le but de régler les comptes antérieurs dont fait mention l'Article X du Traité de Berlin; mais, malgré des instances réitérées, le Gouvernement de Sa Majesté n'a pu jusqu'à présent recevoir une réponse.

Le Gouvernement de Sa Majesté s'oppose énergiquement à un délai plus prolongé et il se trouve obligé de faire appel au Gouvernement Princier de remplir l'engagement qu'il a pris et de procéder à l'arbitrage dans la manière convenue originairement. Mais le Gouvernement de Sa Majesté est prêt à insérer dans la Convention une clause stipulant que la Sublime Porte sera invitée par les deux Gouvernements de s'associer avec eux pour soumettre la question du réglement des comptes antérieurs à l'arbitrage des Ambassadeurs.

Le Gouvernement de Sa Majesté ne peut pas accepter l'innovation proposée par le Gouvernement de Son Altesse, dans l'Article VI du projet de Convention, qui porte que la décision sera prise à l'unanimité par les arbitres. Une telle provision dans un cas pareil serait sans précédent et ne saurait que faire manquer le but dans lequel l'arbitrage a été accepté, savoir, la solution prompte et définitive des questions pendantes.

Afin d'éviter un plus long délai et des discussions oiseuses, le Gouvernement de Sa Majesté accepte les autres modifications proposées par le Gouvernement de Son Altesse, ainsi que les termes de la note identique dont le projet était annexé à la note de son Excellence M. Vouleovitch en date du 25 septembre / 7 octobre, 1882.

En communiquant ce qui précède à votre Excellence je suis chargé en même temps de vous transmettre une copie du projet de Convention qui a été modifié dans le sens ci-dessus indiqué.

Je saisis, &c.
(Signé) FRANK C. LASCELLES.

No. 178.

Mr. Lascelles to Earl Granville.—(Received February 20.)

(No. 2. Commercial. Ext. 4.)

Sophia, February 9, 1883.

My Lord,

WITH reference to your Lordship's despatch No. 2, Commercial, of the 23rd ultimo, I have the honour to report that the Bulgarian Government object to the second paragraph of Article 6 of the draft Agreement for referring to arbitration the claims of the Varna-Rustchuk Railway Company, which provides that "the Arbitrators shall choose a President, who shall have a casting vote in the event of an equal division of votes on any question left to their determination." They suggest that, in case of an equal division of votes, the question should be referred to an umpire to be chosen by the two parties. They are prepared to proceed to arbitration if this alteration is accepted by Her Majesty's Government.

M. Stoïloff informs me that he would personally prefer that the words, "as regards the claims of the Varna and Rustchuk Railway Company," should be omitted from Article 2.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 179.

Mr. Lascelles to Earl Granville.—(Received February 20.)

(No. 3. Commercial.)

Sophia, February 9, 1883.

My Lord,

WITH reference to my despatch No. 1, Commercial, of yesterday's date, I have the honour to report that M. Stoïloff has to-day read to me the draft of a note which he proposes to address to me in reply to my note of the 5th instant with regard to the Rustchuk-Varna Railway question.

In this note his Excellency justifies the action of the Bulgarian Government in proposing that the Porte should be invited to join in the proposed Conference, and draws a distinction between the "previous accounts" mentioned in Article X of the Treaty of Berlin and the arrears due by the Porte to the Company. He denies that the Bulgarian Government are actuated by any desire to delay the settlement of the question, but that, having accepted the principle of submitting the question to arbitration, it became of great importance to them to consider closely the preliminary agreement which had been proposed by Her Majesty's Government. The question of the settlement of the previous accounts appeared to them to be one which rendered the presence of a Turkish Representative in the Conference indispensable, and they perceive with pleasure that Her Majesty's Government are ready to invite the Porte to take part in the arbitration.

The Bulgarian Government no longer demand the unanimity of the Arbitrators, but agree to the decision being taken by a majority of votes. They object, however, to a casting vote being given to the President, and suggest that, in case of an equal division of votes, the question should be referred to an umpire chosen by the two parties. M. Stoïloff informed me that he would raise no objection to the umpire being chosen by the Arbitrators themselves.

I shall not fail to transmit a copy of this note to your Lordship as soon as I shall have received it.

M. Stoïloff also informed me that he would personally prefer that in Article 2 of the draft Agreement the words, "as regards the claims of the Varna and Rustchuk Railway Company," should be omitted. He was of opinion that the omission of these words would render the arbitration more general. I told M. Stoïloff that it did not appear to me that the omission of the words made any appreciable difference to the sense of the Article, but that I would submit his wish to your Lordship.

I then asked M. Stoïloff whether he would be prepared to sign the Agreement if Her Majesty's Government consented to the alteration he proposed in Article 6, and, on his answering in the affirmative, I drew up and read to him the telegram which I had the honour to forward to your Lordship to-day, and which he said correctly represented the position of the Bulgarian Government.

If I may venture to express an opinion, I would suggest that, unless there are strong objections to the contrary, it would be advisable to agree to the alterations now proposed by the Bulgarian Government, as such a course would render it very difficult for them to find an excuse for further delay.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 180.

Minute by Lord E. Fitzmaurice.

SINCE M. Vouleovitch has been in England he has twice referred, in conversation with me, to the affairs of the Varna-Rustchuk Railway. I had Lord Granville's permission to tell plainly the bad impression produced here by the evasions and delays of his Government, and I pointed out to him that they were themselves interposing difficulties to the efforts of their well-wishers by imitating the dilatory and tortuous proceedings of the former Government of Bulgaria. M. Vouleovitch then assured me that, so far as they were concerned, the arbitration, and everything connected with it, was settled and accepted; and that, if any delay existed now, it was owing to the Sublime Porte. This, however, I gather from the last papers, is incorrect.

M. Vouleovitch also asked me my opinion on settling the question by an absolute sale by the Company of their property, and its purchase by the State; the bondholders (as distinct from the shareholders) becoming State creditors, which, he said, was Mr. Mozley's plan.

I said the Foreign Office had, of course, no connection with the question beyond seeing to the execution of the Treaty of Berlin; but that there could be no doubt that if a settlement satisfactory to the creditors could be made in the way suggested by Mr. Mozley, or otherwise, I quite indorsed whatever had been already said on this subject as shown in the previous papers.

E. F.

Foreign Office, February 21, 1883.

No. 181.

Earl Granville to Mr. Lascelles.

(No. 4. Commercial.) (Telegraphic.)

Foreign Office, February 27, 1883.

YOUR despatch No. 3, Commercial.

Bulgarian Government give no reasons for suggesting a departure from the usual practice of giving the President a casting vote. There is a great practical difficulty in such departure, as many questions may arise in the course of the arbitration which will require immediate solution, and the final decision should be left to the Representatives of the Powers parties to the Treaty of Berlin.

Urge Bulgarian Government to consent on these grounds to casting vote, especially as the contingency will probably not arise.

No. 182.

Earl Granville to Mr. Lascelles.

(No. 5. Commercial. Ext.)

Foreign Office, February 27, 1883.

Sir,

I HAVE under consideration your despatch No. 2, Commercial, of the 9th instant, with regard to the Rustchuk-Varna Railway question; and I have to-day informed you by telegraph that the Bulgarian Government, while stating that they object to a casting vote being given to the President of the proposed Conference, do not give any reasons for suggesting that a departure should be made from the usual practice.

As a number of questions may arise during the sitting of the Arbitrators which will require immediate solution, great practical difficulty would be caused by agreeing to the suggestion of the Bulgarian Government that, in case of an equal division of votes, the question should be referred to an umpire.

Her Majesty's Government are of opinion that with the Representatives of those Powers who were Signatories at the Treaty of Berlin should rest the final decision.

On these grounds I instructed you to urge the Government of Bulgaria to consent to a casting vote being given, if there were an equal division, especially as this contingency is not likely to occur.

I am, &c.
(Signed) GRANVILLE.

No. 183.

Earl Granville to Mr. Lascelles.

(No. 6. Commercial.)

Foreign Office, February 28, 1883.

Sir,

ADVANTAGE has been taken of the presence of M. Vouleovitch in this country to speak to him about the affairs of the Varna Railway Company. It has been pointed out to him that the evasions and delays of the Bulgarian Government have produced a bad impression, and that they were placing difficulties in the way of their well-wishers by imitating the dilatory and tortuous proceedings of the former Government of Bulgaria. M. Vouleovitch replied that, so far as the Bulgarian Government was concerned, the arbitration and everything connected with it was accepted, and that if any delay was taking place, it was owing to the Sublime Porte.

M. Vouleovitch asked the opinion of Her Majesty's Government as to settling the question by an absolute sale by the Company of their property to the State, the bondholders, as distinct from the shareholders, becoming State creditors, which he said was the plan proposed by Mr. Mozley. M. Vouleovitch was informed that Her Majesty's Government had no connection with the question beyond seeing to the execution of the Treaty of Berlin; but that there could be no doubt that if a settlement satisfactory to

the creditors could be made in the way suggested by Mr Mozley or otherwise, it would be accepted by Her Majesty's Government.

I am, &c.
(Signed) GRANVILLE.

No. 184.

Mr. Lascelles to Earl Granville.—(Received March 6.)

(No. 6. Commercial.)

Sophia, February 22, 1883.

My Lord,

WITH reference to my despatch No. 3, Commercial, of the 9th instant, I have the honour to inclose a copy of the reply which I have received from M. Stoïloff to my note of the 5th instant relative to the claims of the Varna-Rustchuk Railway Company.

M. Stoïloff's note, which is of considerable length, is chiefly taken up with a defence of the action which the Bulgarian Government felt themselves bound to take in consequence of the Agreement which Her Majesty's Government proposed should be signed for referring to arbitration the claims of the Company.

His Excellency argues that the "previous accounts" mentioned in the Xth Article of the Treaty of Berlin are distinct from the "arrears" due by the Porte to the Company, and that the Bulgarian Government understand the "previous accounts" to refer to the real value of the line at the time of its construction.

In case of an equal division of votes on the part of the Arbitrators, M. Stoïloff suggest that an umpire should be appointed, who should enjoy the confidence of both parties, and the Bulgarian Government suggest the President of the French Court of Cassation for the post. His Excellency hopes that this suggestion will be favourably received by Her Majesty's Government, and that an alteration in this sense may be made in the draft Agreement.

In conclusion, his Excellency states that the Bulgarian Government is prepared to send its Delegates to the Conference to support the cause and defend the rights of the Principality against the Varna-Rustchuk Railway Company.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 184.

M. Stoïloff to Mr. Lascelles.

Sophia, le $\frac{9}{21}$ *Février*, 1883.

M. l'Agent,

EN réponse à la communication que vous avez bien voulu me faire, à la date du 5 Février, de la part du Gouvernement de Sa Majesté Britannique, relativement à la question "Roustchouk-Varna," j'ai l'honneur de soumettre à votre bienveillante attention les considérations suivantes qui me sont suggérées par l'étude des conditions qui ont été faites à cette question, d'un côté par l'acceptation pure et simple de l'arbitrage par le Gouvernement Princier, et de l'autre par la présentation du projet de Convention proposé par le Gouvernement Royal de la Grande-Bretagne.

Je me permettrai de vous faire observer qu'en principe le Gouvernement de Son Altesse avait accepté l'arbitrage sur des bases simples qui n'entraînaient point pour lui de conditions précises et expresses et qui lui laissaient toute sa liberté d'action dans la conduite de sa défense devant la Conférence Arbitrale.

Aussi, conséquent dans ses décisions, le Gouvernement Princier était-il prêt à se rendre à la Conférence à l'expiration du délai de six mois qu'il avait demandé en Février de l'année dernière et, par suite, il ne peut assumer aujourd'hui la responsabilité du retard qui a eu lieu depuis lors, ou plotôt depuis le jour où le Gouvernement de la Reine lui a présenté le projet de Convention préliminaire. En effet, dès l'instant où le Gouvernement Britannique a pris une autre voie pour arriver à l'arbitrage—en ne voulant soumettre à la décision des Ambassadeurs la question des obligations de la Bulgarie envers la Compagnie du Chemin de Fer Roustchouk-Varna, qu'après avoir conclu avec le Gouvernement Princier une Convention nettement définie qui ne permettrait pas à ce dernier de s'écarter des termes sous lesquels elle aura été formulée,

l'importance d'un tel acte préliminaire ne pouvait échapper au Gouvernement de Son Altesse, qui était dès lors en droit d'indiquer de son côté la marche qu'il croyait devoir suivre pour arriver à la solution de la question sans perdre de vue la cause de ses intérêts.

Dans cette occurrence, j'estime, M. l'Agent, que le Gouvernement Princier ne s'est point trouvé en contradiction avec ses engagements antérieurement pris vis-à-vis de la proposition d'arbitrage. En effet, s'il n'a point demandé jusqu'à la date de la dernière note Ministérielle que la Sublime Porte fût mise en cause pour le réglement des "comptes antérieurs," j'aurais lieu de faire remarquer que n'étant pas lié envers le Gouvernement de Sa Majesté Britannique pour la règle de procédure qu'il suivrait pour soutenir les intérêts de la Principauté, il aurait été dans son droit par la nature même des conditions qu'il avait émises, de réclamer et de justifier dans le cours de la libre défense par l'organe de ces Délégués, la nécessité de la convocation du Gouvernement Impérial Ottoman devant la Conférence. Or, une fois lié par une Convention telle qu'elle avait été de prime abord établie par le Gouvernement de la Grande-Bretagne, aurait-il obtenu cette convocation, puisqu'une semblable disposition aurait été laissée à la détermination des Arbitres et aurait pu ne lui être pas acquise?

Aussi, le Gouvernement Princier se voyant invité à s'engager par une Convention spéciale à délinir, avant de se rendre à la Conférence, ses moyens de défense, a cru de son devoir de prévenir toute éventualité en émettant pour condition l'envoi de Représentants Ottomans devant la Conférence pour ce qui concerne le réglement des comptes antérieurs.

Au sujet du réglement de ces comptes, vous voulez bien, M. l'Agent, vous appuyer sur ce que le Gouvernement Bulgare aurait lui-même demandé que ce réglement fût excepté de l'arbitrage. J'ai lieu de supposer qu'un malentendu s'est glissé sur ce point, de telle sorte que la question des arriérés se trouve sans doute confondue avec celle des comptes antérieurs, ainsi qu'il ressort, d'ailleurs, de la dernière lettre de Mr. Kennedy, Gérant de l'Agence Royale d'Angleterre durant votre absence.

Par la note Ministérielle du $\frac{5}{17}$ Juillet, 1882, le Gouvernement de Son Altesse a rejeté la question des arriérés parce qu'elle regarde exclusivement et directement la Turquie, et que la Principauté n'a été substituée à cette dernière pour les obligations contractées par la Sublime Porte, qu'à partir de la date de ratification du Traité de Berlin. Mais le Gouvernement Princier a toujours considéré, et la note du $\frac{14}{26}$ Août, 1880, en fait foi, que la révision des comptes antérieurs, qui diffère essentiellement du payement des arriérés dus par le Gouvernement Impérial Ottoman seul, est intimément liée à la détermination des obligations de la Principauté envers la Compagnie du Chemin de Fer Varna-Roustchouk.

Ces deux questions étant ainsi nettement tranchées, je dois ajouter, M. l'Agent, que le Gouvernement Princier entend et comprend par "révision des comptes antérieurs" la fixation de la valeur réelle de la ligne Varna-Roustchouk au point de vue de sa construction et de sa mise en exploitation. C'est ce que les Ambassadeurs réunis au Congrès de Berlin ont entendu, parce qu'on ne saurait admettre qu'ils aient pu reporter à la Bulgarie les obligations contractées par la Turquie pour ce chemin de fer, sans lui permettre en même temps de considérer de pair l'étendue de ces obligations avec la valeur de la ligne.

Tels sont, M. l'Agent, les motifs qui ont amené le Gouvernement Princier à demander la convocation de la Sublime Porte devant la Conférence Arbitrale. D'ailleurs, le Gouvernement de Son Altesse est heureux de constater que le Gouvernement de Sa Majesté Britannique en a reconnu le bien-fondé, en convenant d'insérer dans le projet de Convention la clause stipulant la convocation dont il s'agit.

Pour ce qui concerne la proposition émise par le Gouvernement Princier, et qui consistait en ce que les décisions de la Conférence fussent prises à l'unanimité et non à la majorité des Arbitres, je me permettrai de vous faire observer, M. l'Agent, que le Gouvernement Bulgare n'a jamais entendu donner à cette proposition un caractère absolu. Cependant, l'importance de l'acte qui doit sortir des délibérations de la Conférence, impose au Gouvernement Princier le devoir de demander au Gouvernement de Sa Majesté Britannique que, en cas de partage de voix, au lieu d'attribuer la voix prépondérante au Président, la Conférence s'adjoigne un sur-arbitre jouissant de la confiance des deux parties, et le Gouvernement Princier proposerait, pour sa part, le Président de la Cour de Cassation de France. Le Gouvernement de Son Altesse se flatte de l'espoir que le Gouvernement de Sa Majesté voudra bien accueillir avec faveur cette demande et introduire dans le projet de Convention la modification indiquée à ce sujet.

En vous priant, M. l'Agent, de vouloir bien communiquer les considérations qui précèdent à sa Seigneurie Lord Granville, je nourris l'espoir que le Gouvernement de Sa Majesté Britannique voudra bien être persuadé que le Gouvernement de Son Altesse, mon auguste Souverain, est animé du désir sincère de voir la question pendante entre la Compagnie du Chemin de Fer Roustchouk-Varna et lui recevoir une solution prompte et équitable.

Dans l'ordre de ces considérations j'ai l'honneur de vous déclarer en outre, M. l'Agent, que le Gouvernement Princier est prêt à envoyer ses Délégués devant la Conférence pour soutenir la cause et défendre les droits de la Principauté vis-à-vis de la Compagnie du Chemin de Fer Roustchouk-Varna.

Veuillez, &c.
(Signé) STOÏLOFF.

No. 185.

Mr. L. Mozley to Sir J. Pauncefote.—(Received March 6.)

Dear Sir, 31, *Lombard Street, London, March* 5, 1883.

REFERRING to my recent interview with yourself and Lord Edmond Fitzmaurice, I now beg to say that some ten days ago Mr. Frederick Mozley received a letter from M. Grecoff, signed on behalf of himself and his colleagues in Council, stating that the Bulgarian Government had authorized Dr. Voulcovitch to continue the negotiations with Mr. Frederick Mozley for a friendly arrangement of the Varna Railway business by a purchase of the line from the Company, and expressing further much good-will and a strong desire that the proposed arrangement should be carried through.

I saw Dr. Voulcovitch with reference to the above, and he confirmed the tenour of his Government's communication, but stated that he waited for further categorical instructions.

On Saturday last he told me that he was now in a position to take up the matter seriously, and at his request I have made an appointment to see him to-morrow, accompanied by a representative of the Company acting unofficially.

I give you this information in compliance with the desire you expressed to Mr. Frederick Mozley to be kept informed of any steps we might take, and, if agreeable, I will take care to advise you of the progress of our negotiation from time to time.

I have, &c.
(Signed) LEWIN MOZLEY.

No. 186.

Mr. Mavrogordato to Lord E. Fitzmaurice.—(Received March 7.)

My Lord, 19, *Bishopsgate Street Within, London, March* 6, 1883.

AS a Director of the Varna Railway Company, and member of the Boudholders Committee, I have sent a Memorandum to Dr. Voulcovitch, of which I have the honour to inclose your Lordship a copy.

I am, &c.
(Signed) E. A. MAVROGORDATO.

Inclosure in No. 186.

M. Mavrogordato to M. Voulcovitch.

19, *Bishopsgate Street, London, le* 3 *Mars*, 188?.

Excellence,

JE vous demande la permission de vous présenter par écrit les considérations que j'ai eu l'honneur de vous soumettre verbalement sur la question du Chemin de Fer de Varna-Roustchouk.

Quoique membre du Conseil d'Administration de la Compagnie je vous adresse ce Mémorandum plutôt au nom et de la part du Comité des Bondholders dont je fais part. Ce Comité a été formé il y a déjà deux ans dans le but de trouver un moyen d'arrangement de cette question si longtemps pendante au préjudice non seulement des détenteurs des titres, mais du Gouvernement Bulgare lui-même.

Une solution cherchée en dehors des stipulations du Traité de Berlin devait nécessairement se baser sur une transaction. Les détenteurs des titres devraient rabattre des droits que le Traité de Berlin leur assure. De son côté le Gouvernement Bulgare devrait s'assurer que l'arrangement proposé lui présente des avantages substantiels en même temps qu'il réduit les charges au minimum.

Tel étant le but de la négociation, il est inutile d'entrer en discussion sur l'interprétation à donner à l'Article X du Traité de Berlin, par lequel il est stipulé que "la Bulgarie est substituée au Gouvernement Impérial Ottoman dans ses charges et obligations envers la Compagnie du Chemin de Fer de Roustchouk-Varna.

Cette interprétation sera l'affaire de la Conférence déjà agréée, je me borne quant à présent à noter mon entier dissentiment aux conclusions du Mémoire du Conseil d'Avocats, publié par Rémi: Paris, 1882.

Inspiré par la pensée d'arriver à un arrangement à l'amiable le Comité a cherché une base de transaction dont la justice fut indisputable. Il a cru la trouver à une estimation de la valeur actuelle de la ligne, mais puisque par l'acte de la Porte la ligne était sujette à un bail onéreux, il a pensé qu'il donnerait à ces propositions une valeur pratique en libérant la ligne du bail tenu par la Société d'Exploitation. Dans cette pensée il s'est approché du Baron Hirsch, Président de la Société, et en traitant l'affaire à l'amiable il a obtenu son consentement à la reddition du bail.

Les conditions matérielles stipulées par le Baron sont très onéreuses. Le Comité a cependant cru devoir les accepter en principe; une condition seule a été réservée, celle de l'approbation du Gouvernement Autrichien dont dépend la Compagnie d'Exploitation. Le Baron de Hirsch a présenté cette réserve comme une affaire de forme, puisque par les lois Autrichiennes aucun changement ne peut être porté à la constitution d'une Société dont les Statuts ont été approuvés par le Ministère des Finances sans le consentement du Ministre.

Dans ces circonstances je ne pense pas que le Gouvernement d'Autriche refuserait son consentement à une transaction consentie par la Société, d'autant plus que si notre Compagnie reste d'accord avec le Gouvernement Bulgare, le bail ne sera pas un obstacle à la reddition de la ligne au Gouvernement, les détenteurs d'obligations dont les intérêts sont en retard ayant le droit de demander la restitution de la ligne.

Une fois la ligne libérée du bail le Traité entre notre Comité et le Gouvernement Bulgare prendra le caractère d'une vente, et il devient praticable de présenter la question au point de vue de l'estimation de la valeur actuelle de la ligne. Quelle est cette valeur? Le Comité était privé de moyens de faire une évaluation sur place; il est arrivé à une estimation approximative basée sur des données admises.

La longueur de la ligne est de 224 kilom. On peut trouver dans les livres de la matière la moyenne du coût des voies ferrées de tous les pays. Laissant de côté le coût des chemins de fer les plus dispendieux qui varient de 629,552 fr. le kilom. pour l'Angleterre, à 462,000 fr. pour la France, arrêtons-nous aux pays dont les chemins ont été les moins dispendieux. L'Autriche se présente avec 348,750 fr.; l'Italie avec 300,263 fr.; la Suisse avec 300,591 fr.; la Roumanie, enfin, avec 374,000 fr. La moyenne de ces quatre pays est de 330,000 par kilom., déduisons-en un tiers pour le coût moindre d'une ligne simple comme celle de Varna-Roustchouk, nous arrivons à un chiffre net de 220,000 fr. par kilom., ce qui donnerait pour toute la ligne une valeur de 49,280,000 fr.

Voilà le chiffre à peu de chose près consenti et confirmé entre la Compagnie et la Porte, lequel à 7 pour cent par an d'intérêt, représente la valeur de l'annuité garantie par la concession de notre ligne. En ajoutant à la somme susdite les intérêts échus depuis la signature du Traité de Berlin, nous arrivons à un chiffre de 67,000,000 fr.

Je sais que le Gouvernement n'admet pas la justice de cette évaluation; il lui serait facile à prouver que le coût actuel de notre ligne n'arrive pas à des chiffres pareils, mais il ne peut pas contester que le coût d'un chemin de fer comprend nécessairement les frais et déductions pour se procurer l'argent dépensé dans la construction. Ces frais ont naturellement été bien lourds pour notre Compagnie, et c'est ainsi qu'on peut expliquer le chiffre extrêmement large des titres émis et de l'annuité de 140,000*l.* qu'on a dû y attacher pour attirer le capital nécessaire; et j'ose dire que quoique la Bulgarie se trouve dans des conditions économiques meilleures que la Porte, elle n'arriverait pas à se faire construire les chemins de fer dont elle a besoin sans donner une garantie très rapprochée à celle donnée par la Porte. Le Brésil donne une garantie de 7 pour cent pour ces chemins de fer, et même la Russie a émis son dernier emprunt de chemin de fer sur la base de 55 pour 3 pour cent amortissable au pair.

A l'égard de l'évaluation, le Gouvernement Bulgare a fait ce que la Compagnie n'a pu faire. Il a fait évaluer la ligne dans sa condition actuelle par une Commission spéciale d'experts.

Le chiffre de l'estimation de cette Commission est bien au-dessous des chiffres cités au paragraphe précédent. Il monte seulement à 30,000,000 fr. La Commission cependant admet qu'on doit y ajouter 10,000,000 fr. pour frais financiers et elle arrive ainsi au chiffre de 40,000,000 fr.

Notre Comité, dans le désir de donner au Gouvernement Bulgare tous les avantages qu'il peut réclamer, a décidé à prendre ce dernier chiffre comme base de ses négociations. En y ajoutant l'intérêt de cinq années, depuis la signature du Traité de Berlin, au taux de 6 pour cent, il est arrivé au chiffre de 53,528,000 fr., ou 2,141,000*l.*, et voilà le chiffre auquel il s'est arrêté pour la vente du chemin de fer au Gouvernement Bulgare.

Ce prix étant basé sur les évaluations du Gouvernement même, ne doit lui paraître que juste, d'autant plus qu'il reçoit pour ce prix le chemin de fer libre du bail. Cette condition n'était pas imposée à la Compagnie; elle a dû la racheter à un fort sacrifice de sa part. Ainsi la Compagnie en recevant la somme susdite de 2,141,000*l.* n'encaisserait, après déductions pour frais, &c., que la somme de 1,900,000*l.* Considérant que la majeure part des titres sont des obligations dont les détenteurs ont le droit de réclamer la totalité de cette somme pour capital et intérêt de leurs titres, il est évident que la Compagnie ne peut pas descendre au-dessous de ce chiffre, car elle aura à faire face aux réclamations des actionnaires, qui ne donneraient pas leur consentement sans recevoir une quote-part de la somme de vente; déjà cette quote-part aura à être prélevée moyennant une déduction sur la somme réclamable par les obligataires.

Le Gouvernement Bulgare de l'autre côté a-t-il un intérêt à demander un plus grand sacrifice de la part de la Compagnie? Je crois que non! Son devoir au pays est évidemment de lui présenter un arrangement basé sur la justice, rien au-delà, et le pays sera content d'entrer en possession du chemin de fer à un prix juste.

Je ne m'arrête pas à la considération si la Bulgarie est à même de faire face à la charge que le Traité de Berlin lui impose. Je suis sûr que votre pays, éminemment favorisé par la nature et libre de développer ses ressources, est déjà entré dans une période de bien-être et prospérité. La Grèce, dont le territoire est bien moins favorisé par la nature, supporte une dette de 20,000,000*l.*, comportant une charge de 900,000*l.* pour intérêt. Les Chambres sont actuellement occupées à voter un Budget dont les charges s'élèvent à plus de 3,000,000*l.*

Mais l'argument qui dispose de cette objection est que dans la question débattue entre nous il ne s'agit pas pour le Gouvernement Bulgare d'une charge sans contre-partie: il s'agit effectivement de l'achat d'un chemin de fer, ce qui est tout à fait autre chose. Tout pays, et surtout des pays jeunes, sont heureux de trouver des moyens de se créer des chemins de fer. Pareillement le Gouvernement Bulgare serait, je pense, bien aise d'attirer les capitaux étrangers pour compléter son réseau. Le moyen le plus sûr pour y arriver serait de s'arranger, d'une manière équitable, avec les détenteurs des titres du seul chemin de fer qu'elle possède. Ces titres sont entre les mains d'un peuple dont l'opinion favorable en matière de finance vaut bien quelque effort pour l'assurer, et il serait un acte de prévoyance politique de saisir cette occasion de les contenter, surtout puisqu'ils ont déjà souffert des effets du délai du règlement, et qu'ils sont prêts à rabattre largement des avantages que le Traité de Berlin leur assure.

Un arrangement équitable est du reste celui qui doit convenir le mieux au Gouvernement Bulgare, non seulement parce que faire juste est un titre qui tournerait

à l'honneur du pays, mais parce qu'en payant son argent le Gouvernement Bulgare a le plus grand intérêt à laisser tout le monde content, que d'économiser une somme plus ou moins insignifiante avec le sacrifice de cet avantage énormément plus précieux et plus fructueux. On a parlé à Sophia d'une somme de 45,000,000 fr.; il s'agit par conséquent d'une différence de 9,000,000 fr. représentée par une annuité, disons, de 500,000 fr. La charge représentée par cette somme est assurément insignifiante pour un pays qui arrivera bientôt à posséder un Budget de 40,000,000 fr. à 50,000,000 fr.; elle est plus insignifiante encore eu égard aux avantages que le pays en tirerait pour son crédit en Europe.

Les avantages et la justice des bases d'arrangement susmentionnées étant démontrés, j'espère que votre Excellence voudra bien les recommander à l'acceptation de votre Gouvernement, qui, en arrangeant cette affaire ainsi à l'amiable, non seulement il se débarrasse des difficultés et risques d'une Conférence des Ambassadeurs—risques sérieux, car même dans le cas que le payement décrété serait plus modéré que celui que les termes du Traité comportent, le Gouvernement serait pour longtemps privé de la possession et du contrôle du chemin de fer que notre arrangement lui assurerait. Le mettant à même d'un côté à en régler le fonctionnement d'une manière à favoriser les intérêts du pays, et de l'autre de faire fructifier le chemin et de se rattraper ainsi contre la charge d'intérêt à laquelle notre arrangement le soumet.

La moyenne des recettes brutes des chemins de fer de Roumanie sont de 13,490 fr. par kilom.; en prenant ce chiffre pour base et déduisant 40 pour cent pour frais d'exploitation, ce qui est suffisant pour une ligne dans les conditions de la nôtre, nous arrivons à un revenu annuel de 1,800,000 fr., qui ira en s'augmentant et finira en peu d'années à couvrir la totalité de la charge d'intérêts.

Il y a des examples d'autres chemins de fer dans l'Empire Ottoman, lesquels, administrés sur des bases commerciales, rapportent un revenu satisfaisant sur leur capital, comme par exemple les deux chemins de fer aboutissant à Smyrne, et on ne pourrait pas dire que la contrée que notre chemin de fer traverse est moins populeuse ou moins riche en produits que les districts de l'Asie Mineure, desservis par les lignes susmentionnées. Le dernier bilan du Chemin de Fer Smyrne-Aidin, d'un parcours de 237 kilom., pour les douze mois terminant 30 Juin, 1882, présente les chiffres suivants:—

	£
Recettes brutes	134,258
Dépenses	73,200
Revenu net	61,058

Voici maintenant les chiffres du Chemin de Fer Smyrne-Cassaba, d'un parcours de 373 kilom., pour la même période.

	£
Recettes brutes	167,313
Dépenses	82,027
Revenu net	85,286

En recommandant ce Mémorandum à votre considération bienveillante, j'ai, &c.
(Signé) E. A. MAVROGORDATO,
Membre du Comité des Varna Railway Bondholders.

No. 187.

Sir J. Pauncefote to Mr. L. Mozley.

Sir, *Foreign Office, March* 8, 1883.

I AM directed by Earl Granville to acknowledge the receipt of your letter dated the 5th instant, relating to your recent communications wit M. Voulcovitch on the subject of the Varna Railway; and I am, in reply, to express to you his Lordship's thanks for the information therein contained.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 188.

Mr. Lascelles to Earl Granville.—(*Received March* 8, 10·50 P.M.)

(No. 8.)
(Telegraphic.) *Sophia, March* 8, 1883, 10·20 P.M.

MY telegram No. 5 of the 2nd instant.

Bulgarian Government cannot agree to casting vote. They argue that if Conference is to be considered as a Court of Arbitration, all usage and legislation are against a casting vote being given to President. If Conference has to intepret decisions of Congress of Berlin, it would be inadmissible to give a double vote to any one Power.

Minister for Foreign Affairs suggests either that, as a general rule, questions should be decided by more than an absolute majority, say, two-thirds, or that in case of equal division of votes question should be dropped.

No. 189.

Earl Granville to Mr. Lascelles.

(Commercial.)
(Telegraphic.) *Foreign Office, March* 14, 1883, 6·45 P.M.

YOUR telegram No. 8 of 8th instant.

Alterations suggested by Bulgarian Government are unacceptable, as not securing finality.

Propose following:—

1. That a Turkish Arbitrator be added, making the number seven.

2. That questions involving interpretation of Treaty be referred to the Signatory Powers, and settled in Conference of Representatives at Constantinople.

3. That all other questions be decided by the seven Arbitrators. Simple majority to prevail, as at present arranged.

The Representatives of the Powers are about to consider at once question of Bulgarian tribute. It is important that no further delay should take place.

Urge acceptance of above proposals, and some payment on account to Railway Company, who have received nothing since 1879, and loudly complain of this grievous wrong.

No. 190.

Earl Granville to Mr. Lascelles.

(No. 9. Commercial. Ext.)
Sir, *Foreign Office, March* 14, 1883.

I HAVE received your telegram No. 8 of the 8th instant, reporting that the Bulgarian Government decline to agree to a casting vote being given to the President in the proposed Arbitration of Ambassadors at Constantinople to determine the amount of the liability of Bulgaria to the Varna Railway Company under Article X of the Treaty of Berlin.

It becomes necessary, therefore, to look for some other alternative whereby finality can be secured in the decisions of the Arbitrators. Two alternatives are now suggested by the Bulgarian Government: the first that a majority of two-thirds should be required for the determination of the questions which may be raised. This would be a departure from the understanding already arrived at, that the votes of the majority should prevail, and is, moreover, open to objection on the ground that, should the two-thirds majority not be obtained, the question would still remain unsettled. The other suggestion, that in case of an equal division of votes the question should be allowed to drop, is also open to objection on the same ground.

At the invitation of Her Majesty's Government, the Representatives of the Powers parties to the Treaty of Berlin are about to consider the question of the amount of the tribute to be paid by Bulgaria to the Porte under Article IX of the Treaty.

It is important, therefore, that no further delay should take place in arriving at a settlement of the claims of the Varna Railway Company.

I have accordingly to instruct you to make the following proposals to the Bulgarian Government:—

1. That the number of Arbitrators should be increased to seven by the addition of a Representative of Turkey, whereby all the Signatory Powers of the Treaty of Berlin will be represented on the arbitration, and the contingency of an equal number of votes would be avoided.

2. That all questions which may arise in the arbitration involving the interpretation of the Treaty should be referred to the Signatory Powers, whose decision thereon shall be carried out by the Arbitrators.

3. That all other questions shall be decided by the vote of the majority of the Arbitrators.

Her Majesty's Government trust that the above proposals will meet with the approval and acceptance of the Bulgarian Government, and that they will be disposed to consider the just claim of the Railway Company to some immediate payment on account, pending the final decision of the Arbitrators, in view of the great injustice they have suffered from the cessation of all payments to them since 1874 in respect of the annual sum of 140,000*l.* to which they are entitled under their Agreement with the Porte.

I have this day addressed a telegraphic communication to you in the sense of this despatch.

I am, &c.
(Signed) GRANVILLE.

No. 191.

Mr. L. Mozley to Lord E. Fitzmaurice.—(Received March 17.)

31, *Lombard Street, London, March* 16, 1883.

My Lord,

IN consequence of the political crisis in Sophia, Dr. Voulcovitch, as you are aware, left London last evening. He remains a few days in Paris, and then returns straight to Sophia.

In leaving, he expressed to me and Mr. Frederick Mozley his earnest desire to see the negotiation we have been conducting carried into effect, and assured us that, whichever party might be dominant in Bulgaria, the same desire would influence them; and he promised to use his utmost endeavours on his return that the negotiation should be continued with my agent, Mr. Kaufmann.

Dr. Voulcovitch gave me, unofficially, the figures at which he believed his Government would have then settled. I embodied the result of my conversation with him on this subject in a letter addressed to the Bondholders Committee, with a request that it should be laid before the Board of Directors. Though I have not yet received a written reply, I have reason to believe that the proposition, which appeared to me in every way fair and desirable, was not received as favourably as I had anticipated. It is my intention early next week to forward you, in confidence, for the information of Lord Granville, a copy of the above-named letter, and probably of one or two others bearing on the subject.

I venture to point out to your Lordship the predominance of the Russian element in the new Cabinet.

I have, &c.
(Signed) LEWIN MOZLEY.

No. 192.

Mr. Lascelles to Earl Granville.—(Received March 19.)

(No. 7. Commercial. Ext. 6.)

Sophia, March 2, 1883.

My Lord,

WITH reference to your Lordship's telegram of the 27th ultimo, I have the honour to report that M. Stoïloff is afraid that the casting vote might possibly be given to the Turkish Representative, who would probably be President of a Conference of Ambassadors held at Constantinople.

His Excellency said that he would consult his colleagues, and let me have a decisive answer after having done so.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 193.

Mr. Lascelles to Earl Granville.—(Received March 19.)

(No. 10. Commercial. Ext. 8.)

Sophia, March 8, 1883.

My Lord,

WITH reference to my telegram No. 5 of the 5th instant, I have the honour to report that M. Stoïloff has informed me that the Bulgarian Government cannot agree to a casting vote being given to the President of the Conference of Ambassadors at Constantinople to settle the claims of the Rustchuk-Varna Railway Company. His Excellency argues that, if the Conference is to be considered as a Court of Arbitration, all usage and positive legislation are against a casting vote being given to the President. If, on the other hand, the Conference should be called upon to interpret a clause of the Treaty of Berlin, a casting vote would amount to a double vote being given to one Power, which would be inadmissible, and opposed to the principle of the equality of the Powers assembled in Conference. His Excellency states that, in his opinion, the only issue from the difficulty would be either that a general rule should be laid down that each question should be decided by a more than absolute majority—for example, by two-thirds of the members, or that the universally recognized principle of law should be adopted that, in case of an equal division of votes, the question upon which the vote was taken should drop.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 194.

Mr. Lascelles to Earl Granville.—(Received March 19.)

(No. 11. Commercial.)

Sophia, March 10, 1883.

My Lord,

ON the 2nd instant I communicated to M. Stoïloff the substance of your Lordship's telegram of the 27th ultimo, instructing me to urge the Bulgarian Government, for the reasons therein given, to agree to a casting vote being given to the President of the Conference of Ambassadors at Constantinople to settle the claims of the Rustchuk-Varna Railway Company.

His Excellency replied that the Bulgarian Government could not agree to a casting vote being given to the Turkish Representative, who would probably be selected as President of a Conference held at Constantinople.

I told M. Stoïloff that if Turkey were represented at the Conference, there would be seven members, and that therefore the question of equal division of votes could not arise. If Turkey were not represented, I could not see what objection could be raised to a casting vote being given to the President, who would be chosen by the Conference, more especially as the case of an equal division of votes was not likely to arise.

M. Stoïloff said that he must consult his colleagues before giving a decisive answer, and on the 6th instant he informed me that M. Grécoff, the Minister of Justice, maintained his opposition to the casting vote, and insisted upon his proposal respecting the appointment of an umpire.

I reminded M. Stoïloff that your Lordship had stated in the telegram which I had read to him that the final decision must be left to the Powers signatory of the Treaty of Berlin, and I observed that as the question in dispute involved the interpretation of an Article of the Treaty of Berlin, it could only be decided by the Powers parties to that Treaty.

His Excellency observed that this view of the question had escaped his attention, and that he would again bring the matter before his colleagues, and on the 8th instant he sent me the private letter of which I have the honour to inclose a copy, the substance of which I had the honour to communicate to your Lordship by my telegram No. 8 of that day.

I saw M. Stoïloff again yesterday, and informed him that I had telegraphed to your Lordship, and should await your Lordship's instructions on the subject; but I told him that it appeared to me that if the Signatory Powers agreed that the interpretation of an Article of the Treaty of Berlin should be decided by a Conference of Ambassadors in

which a casting vote should be given to the President, I did not think that the Bulgarian Government would be justified in making any objection to such a course.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 194.

M. Stoïloff to Mr. Lascelles.

Cher Mr. Lascelles, *Saphia, le 24 Février*, 1883.

JE m'empresse de vous faire part qu'après mûre réflexion, et ayant consulté mes collègues, je suis d'avis que le Gouvernement Princier ne peut pas accepter le vote décisif du Président à la Conférence pour la question de Varna-Roustchouk. En effet, si vous envisagez la Conférence des Ambassadeurs comme une Cour Arbitrale, tous les usages et les législations positives sont contraires au droit du vote décisif accordé au Président. Si nous considérons, par contre, la Conférence comme une réunion qui a pour but d'interpréter les décisions du Congrès de Berlin, alors à plus forte raison on ne peut pas admettre le vote décisif, parce que cela équivaudrait à un double vote accordé à une Puissance, chose qui est inadmissible parce qu'elle va à l'encontre du principe de l'égalité de tous ceux qui sont réunis dans une Conférence. La seule issue régulière, d'après mon avis, serait ou d'exiger comme règle générale une majorité plus forte pour la décision de chaque question, par exemple, deux tiers des membres de la Conférence; ou bien d'adopter ce principe de droit universellement admis que dans le partage des voix la proposition sur laquelle on a voté tombe.

Je saisis, &c.
(Signé) C. STOÏLOFF.

No. 195.

Sir J. Pauncefote to Mr. L. Mozley.

Foreign Office, March 21, 1883.

Sir,

I AM directed by Earl Granville to acknowledge, with thanks, the receipt of your letter dated the 16th instant, further relating to the affairs of the Varna Railway Company.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 196.

Mr. L. Mozley to Lord E. Fitzmaurice.—(Received March 24.)

(Confidential.)

My Lord, 31, *Lombard Street, London, March* 22, 1883.

REFERRING to my letter of the 16th March, I now beg to hand you, for the information of Lord Granville, copy of my letter to the Bondholders Committee of the Varna Railway Company, and of some correspondence in connection therewith.

I further inclose copy of Dr. Voulcovitch's letter to Mr. Frederick Mozley prior to his departure. In a private and friendly communication of the same date he spoke even more strongly of the universal desire on the part of his countrymen to see the matter settled.

I have, &c.
(Signed) LEWIN MOZLEY.

P.S.—This moment I receive a telegram from Mr. Kaufmann, stating that Prince Zaneoff, the new Minister of Public Works, had informed him officially that it was his intention to take the Varna question in hand seriously, as being very important for the country.

Being undesirous of raising false hopes, I have made no other communication of this telegram.

L. M.

Inclosure 1 in No. 196.

Mr. L. Mozley to the Bondholders Committee of the Varna Railway Company.

Gentlemen, *March* 12, 1883.

REFERRING to my letter of the 5th March, I beg to say that Mr. Frederick Mozley and myself, accompanied by Mr. Mavrogordato, had a long interview with Dr. Voulcovitch on the 6th instant.

His Excellency made reference to Mr. Mavrogordato's able Memoir, just received, and stated that he was forwarding a résumé of same by telegraph to his Government, and would send the original document by post. Some discussion took place as to the amount calculated in the said Memoir for financial exposes during the construction of the railway, and with reference thereto I forward you copy of letter received by me from Dr. Voulcovitch, and my reply to same.

Since Tuesday I or my cousin have frequently seen Dr. Voulcovitch, and I have been in daily communication with Mr. Mavrogordato, and I have been using my utmost endeavours to induce the Representative of the Bulgarian Government to adopt and recommend the arguments used in Mr. Mavrogordato's Memoir and the figures based thereon.

Dr. Voulcovitch called my attention to the fact, at the interview of the 9th instant, that his instructions were to treat with Mr. Frederick Mozley only, and as a matter of form, and to put himself in order, he must ask Mr. Frederick Mozley to write him a letter referring to Mr. Mavrogordato's Memoir, and acknowledging that it was sent with his approval, and in order to comply with this request Mr. Mozley wrote the letter of the 10th instant, copy of which I inclose herein.

Without troubling you further with unnecessary details, I desire now to lay before you the gist of an important conversation I had with Dr. Voulcovitch yesterday. The latter, after repeating and emphasizing the fact that the authority he holds from his Government is to deal with Mr. Frederick Mozley, and endeavour, through him, to arrive at an early solution of the question, went on to say that he was simply remaining in England for the Varna business, and his other engagements would not permit of his staying beyond a week longer.

He stated emphatically that, without entering into Mr. Mavrogordato's arguments, his Government could not adopt the figures based thereon. I then asked him to state to me in confidence, and frankly, what sum his Government would give. He replied, "I will bind my Government to 40,000,000 fr.;" to which I replied, "that the offer was not such as I could venture to recommend, or even propose to my principals." He then repeated, "I will bind my Government to 40,000,000 fr.; I will bind myself personally to 45,000,000 fr. cash;" thereby meaning, no doubt, that he would strongly recommend such a sum should be given, and that it would probably be carried.

I then ventured to suggest, without committing myself in any way, that inasmuch as the price made out by Mr. Mavrogordato might be taken roughly as 51,000,000 fr., and that he admitted that 45,000,000 fr. was a just offer on the part of his Government, that the mean of the two figures, say 48,000,000 fr. (1,920,000*l.*), should recommend itself to all parties as a desirable base of arrangement.

I now ask you to carefully consider this letter, and, after consultation amongst yourselves, and reference to the Board of Directors, I would express an earnest desire that this opportunity of arriving at a satisfactory settlement may not be lost. I think it right to inform you that I have been made aware, in strict confidence, that the conditions for the Conference, as proposed by Her Majesty's Government, have not been accepted, and I am also aware, unofficially, that the Foreign Office would consider a settlement on anything like the basis that I propose not only highly satisfactory, but infinitely better than would be obtained by a reference to the Ambassadors.

I have now had—and Mr. Frederick Mozley even more than myself—the opportunity, during the last eighteen months, of thoroughly mastering every point connected with this long-pending business, and in the interest of the bond and share holders, and every one concerned, I would urge you to use your best endeavours to induce the Board to sanction, support, and recommend for adoption such a settlement as I have shadowed forth, and which I only hope we may be able to carry through.

My own personal opinion is that, if better cannot be obtained, we should accept 45,000,000 fr. in cash. I hope, however, this may be improved upon.

I should be pleased, if you wish, to attend your Committee, and give you, personally, further details of my negotiation.

I am, &c.
(Signed) LEWIN MOZLEY.

Inclosure 2 in No. 196.

M. Voulcovitch to Mr. F. Mozley.

Londres, le 6 Mars, 1883.

Cher Monsieur,

J'AI transmis textuellement, à Sophia, le résultat de notre entrevue de ce matin, en l'appuyant de ma recommandation.

Pour enlever toute nuance de doute n'est-ce pas qu'il a été admis aujourd'hui qu'il sera compté 25 pour cent de frais financiers sur la somme représentant la valeur de la ligne?

En vous priant de m'honorer d'un mot de réponse, je vous prie d'agréer, &c.

(Signé) VOULCOVITCH.

Inclosure 3 in No. 196.

Mr. F. Mozley to M. Voulcovitch.

Le 7 Mars, 1883.

Excellence,

EN réponse à votre honorée du 6 Mars, il est possible que pendant la Conférence que nous avons eu, le taux de 25 pour cent ait été mentionné pour frais financiers et aussi le taux de 30 pour cent, mais actuellement les chiffres sur lesquels nous nous sommes appuyés sont 30,000,000 fr. pour construction, et 10,000,000 fr. pour frais financiers.

Je crois me rappeler que nous avons parlé de 25 pour cent comme un taux minime pour les constructions Anglaises sous des circonstances les plus favorables.

Veuillez, &c.

(Signé) FREDERICK MOZLEY.

Inclosure 4 in No. 196.

Mr. F. Mozley to M. Voulcovitch.

Le 10 Mars, 1883.

Excellence,

ME référant à l'entrevue que j'ai eu l'honneur d'avoir avec vous Mercredi passé, quand M. Mavrogordato vous a présenté un Mémoire sur l'affaire Varna-Roustchouk, je me permets de vous faire rappeler que j'agis toujours comme intermédiaire entre le Comité de Bondholders et le Gouvernement Princier.

J'ai souvent expliqué à votre Excellence que je considère le prix demandé par le Comité est juste, et je sais que le Conseil d'Administration considère les concessions faites même trop grandes. Ceci a de l'importance puisque finalement la proposition doit être telle qu'elle puisse être votée par l'Assemblée des actionnaires.

Dans le Mémoire de M. Mavrogordato vous avez les vues du Comité clairement expliquées et appuyées. J'ose maintenant demander dans ma position d'intermédiaire que votre Excellence fera vos observations là-dessus, et je ferai mon mieux d'applanir toutes les difficultés qui puissent surgir.

Veuillez, &c.

(Signé) FREDERICK MOZLEY.

Inclosure 5 in No. 196.

M. Voulcovitch to Mr. F. Mozley.

Londres, le 15 Mars, 1883.

Monsieur,

UNE crise Ministérielle a éclaté à Sophia. Une dépêche que j'ai reçue ce matin de Sophia de M. Stoïloff, me dit que les pourparlers pour le rachat du Railway Varna-Roustchouk n'en continueront pas moins, mais que moi devant quitter Londres, la réponse du Gouvernement Princier à vos dernières propositions vous sera communiquée par l'entremise de Mr. Kaufmann, votre Agent à Sophia, qui a été prévenu à cet effet.

Tout en regrettant de n'avoir pu arriver à une solution qui est désirée par tout le

monde en Bulgarie, je conserve l'espoir qu'un arrangement ne saurait tarder à avoir lieu, et je vous présente, Monsieur, l'assurance, &c.

(Signé) VOULCOVITCH.

No. 197.

Mr. Lascelles to Earl Granville.—(Received April 2.)

(No. 12. Commercial.)

My Lord, *Sophia, March 19*, 1883.

IN consequence of the Ministerial crisis which has recently taken place, I have as yet been unable to act upon the instructions conveyed to me by your Lordship's telegram of the 14th instant.

Having met General Soboleff at an evening party the day before yesterday, I told him that I had received instructions from your Lordship to make a communication to the Bulgarian Government with regard to the claims of the Rustchuk-Varna Railway Company, and I asked his Excellency whether, in the absence of a Minister for Foreign Affairs, I should address myself to him. General Soboleff replied that M. Kyriack Zancoff, who had been appointed Acting Minister for Foreign Affairs, would arrive in Sophia in two or three days' time, and he requested me to await his arrival.

His Excellency having said that the Varna-Rustchuk Railway question was one which it would be necessary for the Bulgarian Government to settle as soon as possible, I took the opportunity of stating that it was all the more important that no further delay should take place, as the Representatives of the Great Powers at Constantinople were about to consider the question of the Bulgarian tribute.

I have, &c

(Signed) FRANK C. LASCELLES.

No. 198.

Mr. Lascelles to Earl Granville.—(Received April 16.)

(No. 15. Commercial.)

My Lord, *Sophia, April 4*, 1883.

AT my first interview with M. Zancoff since he took charge of the Ministry for Foreign Affairs I communicated to him the substance of your Lordship's telegram of the 14th ultimo on the subject of the claims of the Varna-Rustchuk Railway Company.

M. Zancoff informed me that as he had only just come into office, and had no previous acquaintance with the question, he would require some time to read up the correspondence on the subject, and he also asked me to furnish him with a copy of your Lordship's telegram.

I explained the state of the case at some length to M. Zancoff, using the same language which I had used to his predecessors, and I urged that no further delay should take place in the settlement of the question, and I subsequently sent him a private note with a translation in French of your Lordship's telegram, copy of which I have the honour to inclose.

I had a further interview with M. Zancoff yesterday, having in the meantime received your Lordship's despatch No. 9, Commercial, of the 14th ultimo, which reached me on the night of the 2nd instant.

In answer to my inquiries as to the answer of the Bulgarian Government to the proposals which I had been instructed to make, M. Zancoff informed me that he was waiting for the arrival of M. Voulcovitch, who was expected in a few days, and whom he would request to draw up a Report upon the subject. I told M. Zancoff that M. Voulcovitch had been informed when he was in London of the bad impression which had been created by the dilatoriness of the Bulgarian Government in dealing with this question, and that I had been instructed by your Lordship to urge strongly that no further delay should take place. This, I said, was all the more important, as the Ambassadors at Constantinople were about to consider the question of the amount of tribute to be paid by Bulgaria to the Porte, and it would evidently be to the interest of Bulgaria that the Varna-Rustchuk Railway question should be definitely settled before

that of the tribute. I then read to M. Zancoff your Lordship's despatch above referred to, and told him that I was about to address an official note to him in the sense of that despatch, and that I must ask that an answer might be returned to me without delay.

M. Zancoff said that he would lay the matter before the Council of Ministers, and let me know their decision.

I have the honour to inclose a copy of the note which I have addressed to M. Zancoff on this subject.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure 1 in No. 198.

Translation of Earl Granville's Telegram to Mr. Lascelles.—(Communicated to M. Zancoff.)

LES alternatives proposées par le Gouvernement Bulgare sont inacceptables, ne donnant pas une solution finale.

Proposez ce qui suit :—

1. Qu'un Arbitre Turc soit ajouté, ce qui augmenterait le nombre à sept.

2. Que les questions concernant l'interprétation du Traité soient soumises aux Puissances Signataires et décidées à la Conférence des Représentants à Constantinople.

3. Que toutes les autres questions soient décidées par les sept Arbitres par une simple majorité de voix.

Les Représentants des Puissances prennent en considération la question du tribut Bulgare; il est donc important qu'il n'y a plus de délai.

Pressez l'acceptation de ces propositions et demandez quelques payements acompte pour la Compagnie, qui n'a rien reçu depuis 1874, et qui se plaint beaucoup de cette injustice.

Inclosure 2 in No. 198.

Mr. Lascelles to M. Zancoff.

Sophia, le 3 Avril, 1883.

M. le Gérant,

JE n'ai pas manqué de faire part au Gouvernement de Sa Majesté de la communication qui m'a été faite par votre prédécesseur, que le Gouvernement Princier ne peut pas accepter le vote décisif du Président à la Conférence des Ambassadeurs qui doit avoir lieu à Constantinople pour régler la question des obligations de la Bulgarie envers la Compagnie du Chemin de Fer de Roustchouk-Varna, sous l'Article X du Traité de Berlin.

En vue de cette décision du Gouvernement Princier, il devient nécessaire de chercher une autre alternative qui assurerait la finalité des décisions des Arbitres. Deux alternatives ont été suggérées par le Gouvernement Princier, dont la première est d'exiger une majorité de deux tiers des membres de la Conférence, pour la détermination des questions qui seront soulevées. Ceci entraînerait un départ de l'entente déjà établie que les décisions doivent être prises à la majorité des voix, et donnerait lieu à l'objection que, dans le cas où une majorité de deux tiers ne serait pas obtenue, la question resterait indécise. La seconde suggestion du Gouvernement Princier, que dans le cas d'un partage égal des voix la question sur laquelle on a voté tombe, est inadmissible pour la même raison.

Sur l'invitation du Gouvernement de Sa Majesté, les Représentants des Puissances Signataires du Traité de Berlin sont sur le point de considérer la question du montant du tribut que la Bulgarie doit payer à la Porte sous l'Article IX du Traité. Il est donc très important qu'il n'y ait plus de délai en arrivant à une solution de la question des obligations de la Bulgarie vis-à-vis de la Compagnie de Varna-Roustchouk.

J'ai été chargé en conséquence par le Principal Secrétaire d'État de Sa Majesté pour les Affaires Étrangères de soumettre les propositions suivantes au Gouvernement de Son Altesse :—

1. Que le nombre des Arbitres soit augmenté à sept en ajoutant un Représentant de la Turquie, ce qui aurait pour résultat que toutes les Puissances Signataires du Traité de Berlin seraient représentées dans l'arbitrage, et que la possibilité d'un partage égal des voix serait évitée.

2. Que toutes les questions entraînant une interprétation du Traité soient soumises aux Puissances Signataires, dont la décision sera mise en exécution par les Arbitres.

3. Que toutes les autres questions soient décidées par la majorité des voix des Arbitres.

Le Gouvernement de Sa Majesté aime à espérer que ces propositions seront approuvées et acceptées par le Gouvernement Bulgare, et qu'il sera disposé à considérer la juste demande de la Compagnie à un payement immédiat en acompte avant la décision finale des Arbitres, vu la grande injustice dont elle a été victime par la cessation de tout payement depuis l'année 1874 de la somme de 140,000*l.* par an, à laquelle elle a droit d'après l'arrangement qu'elle a fait avec la Sublime Porte.

Je profite, &c.
(Signé) FRANK C. LASCELLES.

No. 199

Earl Granville to Mr. Lascelles.

(No. 15. Commercial.)

Foreign Office, April 19, 1883.

Sir,

I HAVE received your despatch No. 15, Commercial, of the 4th instant, inclosing copy of a note to M. Zancoff, and reporting a conversation with him in the matter of the Varna Railway Company's claims; and, in reply, I have to inform you that I approve your note and the language you held as reported in your above-mentioned despatch.

I am, &c.
(Signed) GRANVILLE.

No. 200.

Mr. Blake to Earl Granville.—(Received April 26.)

Varna Railway Company, Offices, 56, *New Broad Street, London, April* 26, 1883.

My Lord,

I AM instructed by the Council of the Varna Railway Company to inform your Lordship that a Resolution was unanimously passed at the last meeting, on the 6th instant, of the shareholders of this Company, which was very numerously attended, requesting that your Lordship would be pleased to receive a deputation from the bond and share holders, who desire personally to explain the grievous loss and wrong which they have suffered at the hands of the Bulgarian Government. Since the ratification of the Treaty of Berlin on the 3rd August, 1878, when under the Xth Article the Bulgarian Government became charged with the obligation of the Ottoman Government to pay 140,000*l.* a-year to this Company, no payment whatever has been made, although the railway has been worked during this whole period of more than four and a half years to the general benefit of that country.

I beg, therefore, to express the hope that your Lordship will be pleased to grant the interview requested by the shareholders, and will appoint a day for receiving the deputation.

I have, &c.
(Signed) H. WOLLASTON BLAKE, *Chairman.*

No. 201.

Mr. Blake to Earl Granville.—(Received April 28.)

Varna Railway Company, Offices, 56, *New Broad Street, London, April* 28, 1883.

My Lord,

AS Chairman of the Council of the Varna Railway Company, I have been requested to bring to your Lordship's notice the circumstances connected with the non-payment to this Company by the Ottoman Government of the guaranteed interest of 140,000*l.* for the year ending the 30th June, 1875, and to solicit your Lordship's powerful assistance in this matter.

The facts are briefly the following:—

In November 1875 the Company's agent at Constantinople, Mr. Timoni, applied for the payment due for the financial year 1874 and 1875, and, after numerous interviews and delays, obtained from the Grand Vizier and Minister of Finance the promise to pay the 140,000*l.* by monthly instalments of 12,500*l.* each, commencing forthwith. Delays occurred, and in March 1876 the Grand Vizier expressed annoyance at the non-payment of any instalments, and at the non-delivery of the written engagement of the Government to the above effect. Petitions and negotiations followed, and finally in June 1876 an official document undertaking to pay the 140,000*l.* for the year ending the 30th June, 1875, by monthly instalments of 12,100*l.*, was received by the Company's agent, and a certified translation of the original document transmitted to the Council in London. The following is the text of the French translation:—

"Conformément à une lettre Ministérielle et à la correspondance qui a été échangée avec la Compagnie du Chemin de Fer de Varna, et conformément aux registres du Ministère afin d'exécuter la transaction, qui a été adoptée pour régler la différence qui s'était élevée entre ladite Compagnie et le Gouvernement Impérial, la présente déclaration est délivrée à Mr. Michel Timoni, fondé de pouvoir de la Compagnie, à l'effet de reconnaître que la garantie du trafic d'une année (c'est-à-dire du 1er Juillet, 1874, au 30 Juin, 1875) qui est de 140,000*l.*, sera payée par le Trésor Impérial à ladite Compagnie en divers payements échelonnés, dont le premier, de 12,100*l.* par mois, commencera à partir du $\frac{19}{28}$ Mai, 1292 (1876).

"*Le* $\frac{2}{15}$ *Juin*, 1292 (1876).

"(L.S.)

"I certify the above to be a true translation of the original document in Turkish, a true copy of which is annexed.

(Signed) "G. H. Simmons, *Assistant Dragoman.*

"*British Consulate-General, Constantinople,*
July 13, 1876."

Notwithstanding the above written engagement, no payments could be obtained, and in July 1876 Captain the Honourable Robert W. Grosvenor, one of the Directors of the Company, proceeded to Constantinople to endeavour to arrange a final settlement, and after interviews with the Grand Vizier and several other Turkish Ministers, they all promised collectively and privately a payment on account of 20,000*l.* within two months. These promises were not fulfilled. Applications and protests were constantly made by the Company's agent for about four years without effect, and on the 20th August, 1880, Mr. Goschen, then in Constantinople, wrote to Mr. Timoni: "I shall continue to press the claim upon the Turkish Government, and shall do all I properly can to obtain for the Company the payment, by instalments or otherwise, of the money that is owed to it."

A year afterwards the following letters, dated the 24th and 25th August, 1881, were received from Lord Dufferin by Mr. Timoni:—

"*Therapia, August* 24, 1881.

"Sir,

"As you are aware, for some time past I have been pressing on the Porte the settlement of your claim, and after having obtained, some days ago, very positive verbal assurances both from the Prime Minister and from the Minister for Foreign Affairs that the Ottoman Government would soon proceed to liquidate its obligations to you, I have now received the inclosed communication in writing from Assim Pasha.

"Yesterday I had the pleasure, in a personal interview, of acquainting you with its contents. Having ascertained, from what fell from yourself and other creditors, that the Porte's offer of havalés was regarded with great suspicion and disfavour, I waited upon Saïd Pasha, and informed him that the proposal conveyed in his Excellency Assim Pasha's letter was considered as unsatisfactory by many of the claimants, was refused by some, and was cordially accepted by none. I added that, in promising me to pay these debts, I trusted the Porte had not entered into a delusive engagement. His Highness, with great earnestness, replied that the engagement was not intended to be delusive, that the havalés would be duly cashed; and that, if they were not cashed in the provinces, they would be cashed at Constantinople.

"You will understand that I cannot give any advice as to whether or no you should accept the offer of the Porte, strengthened by this assurance of the Prime

Minister. I merely acquaint you with what has taken place in order that you may pursue whatever course you may think most conducive to your interest.

"I am, &c.

(Signed) "Dufferin.

"M. Timoni, Esq.,
"Varna Railway Company's Representative."

"*Verbal Note.*

"*Sublime Porte, August* 18, 1881.

"The Foreign Secretary has the honour to inform the Embassy of Her Britannic Majesty that the Financial Department has just received orders to settle, by means of 'délégations' the claims of English subjects indicated in the list remitted to it.

"To the Embassy of Her Britannic Majesty,
&c. &c. &c."

"*Therapia, August* 25, 1881.

"Sir,

"With reference to his letter of the 23rd instant, I am directed by the Earl of Dufferin to inclose to you herewith, for such further action as you may deem proper in your own interests, copy of a further communication which his Excellency has received from the Sublime Porte in connection with your claim.

"I am, &c.

(Signed) "F. R. Plunkett.

"Mr. Timoni,
"Représentant du Varna Railway Company."

"*Verbal Note.*

"*Sublime Porte, August* 23, 1881.

"As an addendum to his verbal note of the 18th instant, the Foreign Secretary requests the Embassy of Her Britannic Majesty to kindly invite those British subjects who are creditors to present themselves at the Financial Imperial Department to receive their delegations.

"To the Embassy of Her Britannic Majesty,
&c. &c. &c."

Since this period, viz., August 1881, Mr. Timoni has been engaged in vain endeavours to procure these havalés, which the Company had agreed to accept; having been always met with evasions or excuses of some kind. Last month, that is in March 1883, Mr. Timoni was informed that the Ottoman Government, with reference to the delivery of the havalés, had now raised the question that this settlement of the guarantee for the year 1874–75 might be included in the questions to be referred to the Ambassadors at Constantinople, and also that the guarantee for 1874–75 might be considered as coming under the head of "comptes antérieurs," under the Xth Article of the Treaty of Berlin, which were to be settled by agreement between this Company, Bulgaria, and the Porte.

It is obviously unnecessary to point out to your Lordship that this undertaking on the part of the Ottoman Government to pay the guarantee of 1874–75 in a definite manner has nothing whatever to do with any unsettled accounts, or with the Treaty of Berlin.

The guarantee for this year was definitely settled upon accounts actually presented in September 1875 to the Public Works Department, and acknowledged as correct by that Department, and, furthermore, the Company have a definite agreement with the Ottoman Government to pay this undisputed amount, and, as shown, they have acknowledged that liability by subsequent direct promises and propositions to Her Britannic Majesty's Ambassador from time to time.

Under these circumstances, the Council feel that they can confidently appeal to your Lordship to press the Ottoman Government in the strongest manner to carry out the solemn engagements which they have entered into, not only with this Company, but at different times with Her Majesty's Ambassadors, and to deliver forthwith the havalés in question, which were to be given in settlement of an admitted debt.

The Company have further claims upon the Ottoman Government in respect of the annual guarantee from the 30th June, 1875, to the date of the ratification of the Treaty of Berlin on the 3rd August, 1878.

I have, &c.

(Signed) H. WOLLASTON BLAKE, *Chairman.*

No. 202.

Lord E. Fitzmaurice to Mr. Blake.

Foreign Office, April 28, 1883.

Sir,

I HAVE laid before Earl Granville your letter of the 26th instant, and I am to state, in reply, that, as the Council of the Varna Railway Company are well aware, the question at issue between the Company and the Bulgarian Government is receiving attention at this Office, and from Her Majesty's Agent and Consul-General at Sophia, and that all the details of the case are well known. Owing, however, to recent changes of Ministry in Bulgaria, action in the matter has been unavoidably delayed.

Under present circumstances, therefore, I am to state that it does not appear that any useful purpose would be served by the deputation referred to in your letter.

I am, &c.

(Signed) EDMOND FITZMAURICE.

No. 203.

Mr. Lascelles to Earl Granville.—(Received April 30.)

(No. 17. Commercial.)

Sophia, April 18, 1883.

My Lord,

IN a conversation which I had yesterday with M. Zancoff I reminded him that I had not yet received an answer to the note which I addressed to him on the 3rd instant on the subject of the proposals of Her Majesty's Government with regard to the settlement of the claims of the Varna-Rustchuk Railway Company.

M. Zancoff said that, since he had assumed office, his time had been so fully occupied that he had not yet had time to draw up a reply to my note. He had, however, taken the Prince's orders on the subject, and the terms of the reply would be settled at the next Council of Ministers. He could, however, inform me that the Bulgarian Government objected to the appointment of a Turkish Arbitrator, as Turkey was interested in the question.

I told M. Zancoff that the question of the admission of Turkey had been first raised by the Bulgarian Government, and that, as it had been settled to submit the question to the Signatory Powers of the Treaty of Berlin, and Turkey was one of those Powers, I did not see how she could be properly excluded. I requested him to let me have an official answer as soon as possible, and I reminded him of the strong objections which I had been instructed by your Lordship to make against any further delay in the settlement of this long-pending question.

I have, &c.

(Signed) FRANK C. LASCELLES.

No. 204.

Earl Granville to Mr. Lascelles.

(No. 17. Commercial.)

Foreign Office, May 2, 1883.

Sir,

I APPROVE the language held by you to M. Zancoff, as reported in your despatch No. 17, Commercial, of the 18th ultimo, with regard to the delay on the part of the Bulgarian Government to return an answer to the proposals made to them by Her Majesty's Government for a settlement of the claims of the Varna-Rustchuk Railway Company.

I am, &c.

(Signed) GRANVILLE.

No. 205.

Mr. Lascelles to Earl Granville.—(Received May 3.)

(No. 19. Commercial.)

Sophia, April 23, 1883.

My Lord,

I HAVE the honour to inclose a copy of a note which I have received from M. Zankow, requesting me to forward to their destination two summonses which have been issued by the Tribunal of First Instance at Schoumla, one for the Direction of the Varna-Rustchuk Railway Company, and the other for Mr. Michel Timoni, the Company's Agent at Constantinople.

The Varna-Rustchuk Company, being a Turkish Company with its seat at Varna, is, I presume, within the jurisdiction of the Bulgarian Courts, but as I am not aware whether the gentlemen composing the Board of Direction can be properly summoned by the Tribunal of Schoumla, I have thought it better to forward the summons to your Lordship, in order that you may decide upon the course to be followed in respect of it.

I have sent the summons addressed to Mr. Timoni, who, I believe, is a British subject, to Her Majesty's Chargé d'Affaires at Constantinople, to whom I have also forwarded a copy of this despatch.

I have the honour to inclose a copy of my despatch to Mr. Wyndham.

Your Lordship will perceive that M. Zankow requests that the duplicates of the summonses may be returned to the Ministry for Foreign Affairs, after having been notified to the parties interested, before the $\frac{4}{16}$th August.

I have, &c.

(Signed) FRANK C. LASCELLES.

Inclosure 1 in No. 205.

M. Zankow to Mr. Lascelles.

Sophia, le $\frac{9}{21}$ *Avril,* 1883.

M. l'Agent,

J'AI l'honneur de vous transmettre ci-joint deux citations en double exemplaire du Tribunal de Première Instance de Schoumla, adressées l'une à la Direction de la Compagnie du Chemin de Fer Varna-Roustchouk, et l'autre à Mr. Michel Timoni, Agent de la susdite Compagnie à Constantinople, et je vous prie de vouloir bien les faire intimer aux intéressés et en renvoyer le double au Ministère avant le $\frac{4}{16}$ Août, année courante.

Veuillez, &c.

(Signé) K. A. ZANKOW.

Inclosure 2 in No. 205.

Mr. Lascelles to Mr. Wyndham.

Sir,

Sophia, April 23, 1883.

I HAVE the honour to inclose a summons which has been forwarded to me by the Bulgarian Acting Minister for Foreign Affairs, and which has been issued by the Tribunal of First Instance at Schoumla, and addressed to Mr. Timoni, the Agent of the Varna-Rustchuk Railway Company at Constantinople.

You will see by the despatch which I have this day addressed to Lord Granville, copy of which I have the honour to inclose, that a similar summons has been addressed to the Direction of the Varna-Rustchuk Railway Company in London, and that, as I am not aware whether the gentlemen composing the Board of Direction can be properly summoned by the Tribunal of Schoumla, I have forwarded the summons to his Lordship.

I am not aware whether Mr. Timoni, who is, I believe, a British subject, is within the jurisdiction of the Bulgarian Courts in his capacity of Agent for the Company, and I therefore send you the summons which has been addressed to him.

I have, &c.

(Signed) FRANK C. LASCELLES.

No. 206.

Earl Granville to Mr. Lascelles.

(Commercial.)
(Telegraphic.)

Foreign Office, May 3, 1883, 4·5 P.M.

AS Bulgaria objects to the last proposal of Her Majesty's Government, press for some definitive alternative proposal from them without further delay.

No. 207.

Sir J. Pauncefote to Mr. Blake.

Foreign Office, May 3, 1883.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 28th ultimo respecting the guaranteed interest of 140,000*l.* due by the Porte to the Varna Railway Company for the year ended 30th June, 1875.

In reply, I am to inform you that your letter will receive careful consideration, but as the Porte have recently insisted that the amount in question forms part of the "comptes antérieurs" referred to in Article X of the Treaty of Berlin, Her Majesty's Government have made a proposal to the Government of Bulgaria, which, if accepted, will provide a means of solving the whole of the questions in dispute. Owing, however, to a recent change of Ministry in Bulgaria, some delay has been caused, and the reply of the Bulgarian Government has not at present been received at this Office.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 208.

Earl Granville to Mr. Lascelles.

(No. 19. Commercial. Ext.)

Foreign Office, May 3, 1883.

Sir,

I HAVE received your despatch No. 17, Commercial, of the 3rd instant, from which I gather that the Government of Bulgaria object to the addition of a Turkish member to the six Arbitrators whom it is proposed should decide questions affecting the interests of the Varna Railway Company.

Under these circumstances, I have this day instructed you by telegram to press for some definite alternative proposal from the Bulgarian Government without further delay.

I am, &c.
(Signed) GRANVILLE.

No. 209.

Mr. Wyndham to Earl Granville.—(Received May 14.)

(No. 106. Commercial.)

Constantinople, May 8, 1883.

My Lord,

ON the 23rd ultimo Mr. Lascelles addressed me a despatch on the subject of a summons which had been forwarded to him by the Bulgarian Acting Minister for Foreign Affairs, and which had been issued by the Tribunal of First Instance at Schoumla against M. Timoni, the Agent of the Varna-Rustchuk Railway Company at Constantinople.

Mr. Fawcett, whom I consulted on the subject, states that he does not "think that Her Majesty's Embassy can serve a summons issued by a Bulgarian Tribunal upon a Turkish Company," and that as the "Bulgarian Principality forms part of the Turkish Empire, summonses like the present one should be served through the Turkish authorities as the proper channel."

I have informed Mr. Lascelles of Mr. Fawcett's opinion, and I have returned to him the papers connected with the matter.

I have, &c.
(Signed) HUGH WYNDHAM.

No. 210.

Mr. Lascelles to Earl Granville.—(Received May 19.)

(No. 20. Commercial.)

Sophia, May 10, 1883.

My Lord,

ON the receipt of your Lordship's telegram of the 3rd instant, I addressed a note to the Bulgarian Acting Minister for Foreign Affairs, copy of which I have the honour to inclose, reminding him that, although a month had elapsed since the date of my note of the 3rd ultimo, and more than a fortnight since he had assured me that the answer of the Bulgarian Government would be immediately prepared, I had not yet received an official reply from the Bulgarian Government, and that I had been instructed by your Lordship to demand an immediate reply to my note, and that in case the Bulgarian Government should not accept the last proposals made by Her Majesty's Government, as he had given me to understand would be the case, they should themselves make some alternative proposals, and, above all, that they should not further delay the settlement of the question.

I have received no answer whatever from M. Zankow, and, in the absence both of the Prince and of General Soboleff, who, as I informed your Lordship in my despatch No. 37 of yesterday's date, has left Sophia for St. Petersburgh, it is scarcely to be expected that General Kaulbars, who has been appointed President of the Commission of Regency, and whose position appears to be very insecure, would be able, even if he were willing, to do much towards the settlement of the question.

Under these circumstances I venture to suggest that it would be better, before taking any further steps in the matter, to wait for the result of the Prince's visit to Moscow, when His Highness hopes to obtain the consent of the Emperor of Russia to the changes which he desires to make in the Bulgarian Government, and I propose, with your Lordship's permission, to hold no further communication with M. Zankow until he shall have thought fit to send some reply to the two notes which I have sent him.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 210.

Mr. Lascelles to M. Zankow.

Sophia, le 4 Mai, 1883.

M. le Gérant,

LE 3 du mois dernier j'ai eu l'honneur, par ordre du Gouvernement de Sa Majesté la Reine, de vous adresser une note pour vous communiquer certaines propositions pour le réglement de la question du Chemin de Fer Varna-Roustchouk. Le 17 du même mois vous m'avez informé, dans une conversation que j'ai eu l'honneur d'avoir avec vous, que les ordres de Son Altesse le Prince de Bulgarie avaient été prises au sujet de la note, et que la réponse du Gouvernement Bulgare serait préparée dans la prochaine séance du Conseil des Ministres. Vous m'avez fait comprendre en même temps, M. le Gérant, que les propositions faites par le Gouvernement de Sa Majesté ne seraient pas acceptées par le Gouvernement de Son Altesse.

Bien qu'un mois se soit écoulé depuis la date de ma note, et plus de deux semaines depuis l'assurance que vous m'avez donnée que la note serait immédiatement préparée, la réponse officielle du Gouvernement Bulgare ne m'est pas encore parvenue, et je suis maintenant chargé par le Principal Secrétaire d'État de Sa Majesté Britannique pour les Affaires Étrangères de demander une réponse immédiate à ma note du 3 Avril. Je suis aussi chargé de demander que le Gouvernement de Sa Majesté Britannique, n'accepte pas les dernières propositions du Gouvernement Bulgare, dans le cas où il fasse lui-même des propositions alternatives et que surtout il ne mette plus de délai au réglement de cette question.

Je profite, &c.
(Signé) FRANK C. LASCELLES.

No. 211.

Earl Granville to Mr. Lascelles.

(No. 20. Commercial.)

Foreign Office, May 24, 1883.

Sir,

I APPROVE the intention announced by you in your despatch No. 20, Commercial, dated the 10th instant, to hold no further communication with M. Zankow until he shall have replied to your note of the 4th instant on the subject of the Varna-Rustchuk Railway question.

I am, &c.
(Signed) GRANVILLE.

No. 212.

Mr. Lascelles to Earl Granville.—(Received May 28.)

(No. 21. Commercial.)

Sophia, May 11, 1883.

My Lord,

SINCE writing my despatch No. 20, Commercial, of yesterday's date, I have received a visit from M. Zankow, the Bulgarian Acting Minister for Foreign Affairs, in the course of which I informed him that I had been obliged to report to your Lordship that the two notes which I addressed to him on the 3rd ultimo and the 4th instant, on the subject of the Varna-Rustchuk Railway Company, had remained unanswered, and that I was now awaiting your Lordship's instructions as to the course I should follow.

M. Zankow said that in consequence of the absence of the Prince, of General Soboleff, and of the Acting Minister of Finance, it was impossible for the three Ministers who remained at Sophia to draw up any further proposals, and he asked me whether it might not be possible for Her Majesty's Government to reconsider the proposals which had already been made by the Bulgarian Government. I told M. Zankow that it would be worse than useless to bring forward again proposals which had already been refused by Her Majesty's Government, and I asked him what were the points upon which the Bulgarian Government wish Her Majesty's Government to reconsider their decision. M. Zankow replied that the two principal points were the exclusion of Turkey from the arbitration and the condition of unanimity on the part of the arbitrators. He also said that he still hoped that the negotiations between the Bulgarian Government and the representative of the bondholders, which had been interrupted by the resignation of M. Grecoff, might be brought to a satisfactory termination. M. Stoïtchoff had been appointed to replace M. Grecoff, and would be able to resume the negotiations on his return from Vienna.

I reminded M. Zankow that the question of the admission of Turkey to the arbitration had been raised by the Bulgarian Government themselves, and that the question of unanimity, which, in my opinion, was preposterous, and entirely opposed to the spirit of arbitration, had been positively refused, as might have been expected, by Her Majesty's Government. The negotiations between the Bulgarian Government and the representative of the bondholders had nothing to do with the question pending between the two Governments. It was in consequence of a suggestion made by General Ehrnrooth that Her Majesty's Government had accepted this proposal, and it was my duty to hold them to their acceptance. If, in the meantime, they could settle the question directly with the Company, so much the better for all parties concerned. I added that I must now press for an official answer to the two notes which I had addressed to him, with regard to the first of which he had informed me that he had received the Prince's orders as to the reply. I could understand that in the present state of things it was difficult for the Bulgarian Ministers at present at Sophia to draw up fresh proposals, but I thought it would have been better if he had stated those difficulties instead of leaving my note unanswered.

I reminded M. Zankow that in the spring of 1880, on the formation of the Ministry of which his uncle was the head, I had recommended that the Bulgarian Government should draw up a statement of their views with regard to the Varna-Rustchuk Railway. I was convinced that such a statement would have been taken into consideration by Her Majesty's Government, who at that time were very favourably disposed towards the young Principality. Nothing, however, was done until General Ehrnrooth suggested the idea of submitting the question to the arbitration of the great Powers, and the delay caused by the various difficulties which had since been raised by the Bulgarian

Government, had sorely taxed the patience of Her Majesty's Government, which was now, I was afraid, almost exhausted.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 213.

Mr. Lascelles to Earl Granville.—(Received May 23.)

(No. 23. Commercial.)

Sophia, May 15, 1883.

My Lord,

WITH reference to my despatch No. 19, Commercial, of the 23rd ultimo, I have the honour to report that I have received a despatch from Her Majesty's Chargé d'Affaires at Constantinople, returning me the summons which the Bulgarian Government had requested me to cause to be forwarded to Mr. Timoni, the agent at Constantinople of the Varna-Rustchuk Railway Company. Mr. Wyndham states that Mr. Judge Fawcett is of opinion that Her Majesty's Embassy cannot serve a summons issued by a Bulgarian Tribunal upon a Turkish Company, and that as "the Bulgarian Principality forms part of the Turkish Empire, summonses like the present one should be served through the Turkish authorities as the proper channel."

I presume that if Mr. Timoni had not been a British subject the Bulgarian Government would not have applied for my assistance in serving the summons, and that, on the principle that the Bulgarian Principality forms part of the Turkish Empire, it would have been competent for them to serve the summons on Mr. Timoni, through their Agent at Constantinople, without invoking the assistance of the Turkish authorities, and under these circumstances I have the honour to request to be furnished with your Lordship's instructions as to the action I should take with regard to this matter.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 214.

Question asked in the House of Commons, May 28, 1883.

Mr. Dixon-Hartland,—To ask the Under-Secretary of State for Foreign Affairs, if he will state if any, and, if so, what steps are being taken by Her Majesty's Government with the view of carrying out Article X of the Treaty of Berlin, by which the Bulgarian Government was substituted for the Ottoman Government in the liability to pay to the Varna Railway Company the annual subsidy of 3,500,000 francs (140,000*l.*), and which sum, guaranteed by Turkey in the original Concession, is now nearly five years in arrear, and amounts to about 670,000*l.*

And, if he will state why the only Article of the Treaty of Berlin directly affecting British subjects is so long allowed to remain in abeyance.

Answer.

Her Majesty's Government have repeatedly urged on the Bulgarian Government the necessity of coming to some definite arrangement with a view to a settlement of these outstanding claims. They are at present awaiting the reply of that Government to a proposal, which Her Majesty's Agent at Sophia was instructed to make on the 14th March last, that the whole question involving the interpretation of Article X of the Treaty of Berlin should be referred to the Signatory Powers of that Treaty, and settled in Conference by their Representatives at Constantinople. Mr. Lascelles has also been instructed to press that some payment on account should be made at once to the Varna Railway Company. Some delay has been caused by recent Ministerial changes at Sophia.

PUBLIC RECORD OFFICE, LONDON

No. 215.

Question asked in the House of Lords, June 1, 1883.

The Earl Stanhope,—To ask a question of the Secretary of State for Foreign Affairs as to the non-fulfilment by Bulgaria of the Xth Article of the Treaty of Berlin.

Answer.

Her Majesty's Government have repeatedly urged on the Bulgarian Government the necessity of coming to some definite arrangement with a view to a settlement of these outstanding claims. They are at present awaiting the reply of that Government to a proposal, which Her Majesty's Agent at Sophia was instructed to make on the 14th March last, that the whole question involving the interpretation of Article X of the Treaty of Berlin should be referred to the Signatory Powers of that Treaty, and settled in Conference by their Representatives at Constantinople. Mr. Lascelles has also been instructed to press that some payment on account should be made at once to the Varna Railway Company. Some delay has been caused by recent Ministerial changes at Sophia.

No. 216.

Memorandum respecting the Liability of the Porte to pay 140,000*l. to the Varna Railway Company as Subsidy for the Year ended June* 30, 1875.

Company, March 15, 1878; p. 1 of Confidential print.

THE Porte agreed in 1863, and again in 1873, that the annual payment should be 140,000*l.*; the payments due on the 30th June, 1875, and subsequently up to the date of the Treaty of Berlin have not been paid;* under that Treaty they are to be settled by agreement between the Porte, Bulgaria, and the Company. The payment due on the 30th June, 1875, has been distinguished from the others because the Porte acknowledged it, and made arrangements for paying it in 1876; the Porte again acknowledged it and stated that they were ready to liquidate it in a note of the 3rd August, 1880, which does not seem to have been sent home; and for the third time the Porte acknowledged it in August 1881, and offered to pay it by havalés; a change of Ministry occurred immediately after this last offer was made, and the havalés were not handed over to the Company, as the Porte inclined to the opinion that the subsidy for 1875 was, like those for the subsequent years, to be dealt with as a part of the "comptes antérieurs," under the Treaty of Berlin. The Porte came to a definite opinion that it was payable by Bulgaria in November 1882, but seemed to include it in the "comptes antérieurs."

Sir H. Layard, No. 57, Commercial, May 4, 1880; p. 14. Company, April 28, 1883; p. 131. Earl of Dufferin, No. 845, September 27, 1881; p. 52. Company's Report, September 22, 1880; p. 21. Earl of Dufferin, No. 725, August 23, 1881; p. 42. Earl of Dufferin, No. 845, September 27, 1881; p. 52. Mr. Wyndham, Telegraphic, November 25, 1882; p. 108.

As matters now stand the "comptes antérieurs" are to be referred for settlement to the Ambassadors at Constantinople.

It may be thought just and proper to hold Turkey to her promises to liquidate the 1875 payment, apart from those of the subsequent years; but it should be noted that as early as July 1879, and again in January 1881 the Porte refused to pay this subsidy on the ground that she must abide by the means of settlement provided by the Treaty of Berlin.

Sir H. Layard, No. 48, Commercial, July 9, 1879; p. 3. Mr. St. John, No. 4, January 22, 1881; p. 23.

The Porte had no doubt forgotten this when they offered in 1880 and 1881 to liquidate it apart from the others. It would be interesting to know the exact terms of the promise to pay given in 1880 for the offer made in 1881 was, I suspect, withdrawn or at least suspended preparatory to withdrawal before the agent of the Company had definitively accepted it; he wished for assurances as to the nature of the havalés, &c., before accepting the offer.

Earl of Dufferin, No. 725, August 23, 1881; p. 41.

The Porte would, no doubt, argue that its formal acknowledgment of the debt in 1876 was cancelled by the Article in the Treaty, as well as any promises to pay they might have made before the Treaty. A distinction between the payment due in 1875 and those for the subsequent years up to the date of the Treaty of Berlin, seems to have been first made by Sir H. Layard in May 1880; on the ground, apparently, that Turkey had agreed upon a mode of settlement before the Treaty was signed, but the payment for 1875 was still unpaid at the time of the conclusion of the Treaty, and would therefore seem to be part of the "comtes antérieurs," unless we hold Turkey to the promise

No. 57; p. 14.

* Bulgaria understands "comptes antérieurs" to be the original cost of the line; Turkey and England understand them to be the payments unliquidated at the date of the Treaty.

to pay she made in 1880, the exact wording of which we do not seem to be in possession of.

H. F.

Foreign Office, June 7, 1883.

No. 217.

Question asked in the House of Commons, June 11, 1883.

Mr. Dixon-Hartland,—To ask the Under-Secretary of State for Foreign Affairs, whether Her Majesty's Government can now see their way to insist upon the strict fulfilment of Article X of the Treaty of Berlin, so as to avoid such terms being forced by Bulgaria on the Varna Railway bondholders as practically confiscates their property:

Whether the bondholders, having been obliged to take the guarantee of Bulgaria for the 140,000*l.* a-year, Her Majesty's Government will take such steps as are necessary to preserve their rights:

And, whether, before any final arrangement is agreed to by the Agent of Her Majesty's Government at Sophia, he will be directed to secure the payment of all arrears of interest to the bondholders as a precedent condition.

Answer.

The Bulgarian Government, after long negotiations with the Varna Railway Company, have, at the instance of Her Majesty's Government, agreed in principle to refer the amount of their liability to the arbitration of the Ambassadors of the Great Powers at Constantinople. The precise terms of the Agreement of Arbitration are still under discussion, and Her Majesty's Government regret that the Bulgarian Government have neglected to answer the last two notes on the subject, addressed to them on the 3rd April and the 4th May last, the reason given for the delay being the recent change of Ministry, and the absence of the Prince of Bulgaria at Moscow. Her Majesty's Agent at Sophia has been instructed to press urgently for a reply to the above-mentioned communications.

No. 218.

Earl Granville to Mr. Lascelles.

(No. 23. Commercial.)

Foreign Office, June 11, 1883.

Sir,

I HAVE had under my consideration your despatches Nos. 19 and 23, Commercial, dated respectively the 23rd April and 18th May last, relative to the summonses issued by the Tribunal of First Instance at Schoumla respectively for the Direction of the Varna Railway Company and for Mr. Michel Timoni, the Company's agent at Constantinople.

I have now to acquaint you that it is contrary to the practice of this Office to serve legal process on behalf of foreign Governments except under special stipulations, as in the case of the International Courts in Egypt.

Such service should be effected by the Agents of such foreign Governments; and there does not appear to be anything to prevent service in the present case in London and Constantinople in the manner above indicated.

I have to instruct you to furnish explanations in this sense to the Bulgarian Minister for Foreign Affairs, and at the same time to express to his Excellency the regret of Her Majesty's Government that they are unable to comply with the wishes of his Government in this matter.

The summonses inclosed in your despatch No. 19, Commercial, are herewith returned.

I am, &c.

(Signed) GRANVILLE.

No. 219.

Earl Granville to Mr. Lascelles.

(Commercial.)
(Telegraphic.) *Foreign Office, June* 16, 1883, 5·15 P.M.

REPORT by telegram the exact attitude you have maintained towards the Bulgarian Government since you received my despatch No. 20, Commercial, of the 24th May, in reply to your despatch of the 10th May on the Varna Railway question.

No. 220.

Mr. Lascelles to Earl Granville.—(Received June 17.)

(Commercial.)
(Telegraphic.) *Sophia, June* 17, 1883.

SINCE my conversation with M. Zancoff, reported in my despatch No. 21, Commercial, of the 11th May, I have held no official communication with the Bulgarian Government with the exception of the exchange of formal visits with the gentleman who is left in charge of the Foreign Office, and the note which I addressed to him on the 21st May, transmitting Danube Declaration.

I propose, when Minister for Foreign Affairs shall be appointed, to inform him that I have been instructed to abstain from further communication with the Bulgarian Government until I shall have received a reply to my note of the 3rd April.

No. 221.

Earl Granville to Mr. Lascelles.

(Commercial.)
(Telegraphic.) *Foreign Office, June* 18, 1883, 5:26 P.M.

YOUR telegram of yesterday.

My despatch No. 20 was unfortunately not sufficiently explicit. It was not intended that you should abstain altogether from communication with the Bulgarian Government, but only respecting Varna Railway question pending their reply to your note of the 3rd April.

No. 222.

Earl Granville to Mr. Lascelles.

(No. 27. Commercial. Ext.)
Foreign Office, June 18, 1883.

Sir,

SINCE the date of my despatch to you No. 20, Commercial, dated the 24th ultimo, I have had reason to apprehend that, having regard to the wording of your despatch No. 20, Commercial, of the 10th May, my approval of your suspending further communication with M. Zancoff until you received a reply from his Excellency to your representations on the subject of the Varna Railway question, may have been misunderstood as conveying to you an instruction, under the circumstances, to suspend altogether diplomatic relations with the Bulgarian Government.

I gather from your telegram of the 17th instant that you have, since the date of your above-mentioned despatch, exchanged visits with the gentleman temporarily in charge of the Bulgarian Foreign Office, and that on the 21st May you addressed to him a note transmitting a copy of the Danube Declaration.

In order, however, to avoid any possible misapprehension on this head, I have to point out that it was not intended that you should abstain altogether from communicating with the Bulgarian Government, but only so far as concerned the Varna Railway question pending a reply to your note of the 3rd April.

I am, &c.
(Signed) GRANVILLE.

No. 223.

Question asked in the House of Commons, June 26, 1883.

Mr. Dixon-Hartland:—To ask the Under-Secretary of State for Foreign Affairs whether, in view of the fact that Article X of the Treaty of Berlin refers mainly to a payment of money justly due to the bondholders of the Varna Railway, Her Majesty's Government will state why the claim of those bondholders should be made the subject of arbitration:

And, whether Her Majesty's Government will take steps to have the case for arbitration so framed as to place Bulgaria, irrespective of any change of Ministry in that country, on the same footing as Turkey, in respect to the fulfilment of her Treaty obligations.

Answer.

The claim of the Varna Railway Company was made the subject of arbitration at their own suggestion, in consequence of the failure of their negotiations for its settlement, and of the Bulgarian Government disagreeing with them as to the extent of their obligations under Article X of the Treaty.

As regards the second question, it is proposed in the draft Agreement of reference to settle all differences arising under Article X, and the award will be equally binding on Turkey and Bulgaria as regards their respective obligations under it when they are ascertained.

No. 224.

Mr. Lascelles to Earl Granville.—(Received July 19.)

(No. 29. Commercial.)
Sophia, June 17, 1883.

My Lord,

WITH reference to your Lordship's telegram of yesterday, I have the honour to report that, with the exception of the exchange of formal visits with the gentleman who is left in charge of the Ministry for Foreign Affairs, and the note which I addressed to M. Tchorneff on the 21st ultimo, communicating to him the Declaration which had been signed on the 23rd April by the Representatives of the Powers parties to the Treaty of Berlin, with regard to the prolongation of the European Commission of the Danube, I have held no official communication with the Bulgarian Government since the conversation which I had with M. Zancoff on the 11th May, and which formed the subject of my despatch No. 21, Commercial, of that date.

When a Minister for Foreign Affairs shall be appointed I propose to inform him that I have received instructions from your Lordship to abstain from further communication with the Bulgarian Government so long as my note of the 3rd April last shall remain unanswered.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 225.

Mr. Lascelles to Earl Granville.—(Received July 19.)

(No. 30. Commercial.)
Sophia, June 22, 1883.

My Lord,

I HAVE the honour to inclose a copy of the note which, in obedience to the instructions contained in your Lordship's despatch No. 23, Commercial, of the 11th instant, I have addressed to the Bulgarian Acting Minister for Foreign Affairs, to return the two warrants which have been issued by the Tribunal of First Instance at Schoumla

against the Directors of the Varna-Rustchuk Railway Company, and Mr. Timon, their agent at Constantinople.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 225.

Mr. Lascelles to M. Tcherneff.

Sophia, le 20 Juin, 1883.

M. le Gérant,

JE n'ai pas manqué de transmettre au Principal Secrétaire d'État de Sa Majesté Britannique pour les Affaires Étrangères et à l'Ambassadeur de Sa Majesté à Constantinople les deux citations du Tribunal de Première Instance de Schoumla que M. Zancoff m'a fait l'honneur de me transmettre dans sa note du $\frac{9}{21}$ Avril, et qui sont adressées, l'une à la Direction de la Compagnie des Chemin de Fer Varna-Roustchouk, et l'autre à Mr. Michel Timoni, Agent de la susdite Compagnie à Constantinople.

Je suis maintenant chargé par le Comte Granville de vous informer, M. le Gérant, qu'il est contraire à l'usage du Foreign Office de transmettre les citations d'un Gouvernement étranger à moins que, comme dans le cas des Tribunaux Internationaux de l'Égypte, il n'existe des stipulations spéciales à cet égard.

La transmission des citations se fait ordinairement par l'entremise des Agents des Gouvernements étrangers, et il ne paraît pas qu'il y ait aucun obstacle, dans le cas actuel, à la transmission des citations à Londres et à Constantinople, dans la manière ci-dessus indiquée.

En vous fournissant ces explications je suis chargé de vous renvoyer les citations qui accompagnaient la note de M. Zancoff, et de vous exprimer en même temps, M. le Gérant, le regret du Gouvernement de Sa Majesté qu'il ne se trouve pas à même de donner suite à la demande qui lui a été adressée par le Gouvernement Bulgare.

Je profite, &c.
(Signé) FRANK C. LASCELLES.

No. 226.

Mr. Lascelles to Earl Granville.—(Received July 19.)

(No. 31. Commercial.)

Sophia, June 23, 1883.

My Lord,

ON the 12th instant I had the honour to receive your Lordship's telegram of the previous day, informing me that it was not intended that I should abstain from all communication with the Bulgarian Government, but only respecting the Varna-Rustchuk Railway question, pending their reply to my note of the 3rd April. I confess that I had read the approval contained in your Lordship's despatch No. 20, Commercial, of the 24th May, in a more general sense, and as I had the honour to report in my telegram No. 12, of the 17th instant, I intended to inform the Minister for Foreign Affairs, when one should be appointed, that I had been instructed to abstain from all further communication with him, until I should have received an answer to my note. I had, however, taken no action in the matter, as I thought it better to wait until a Minister for Foreign Affairs should be appointed, more especially as I was aware that it would have been impossible for M. Tcherneff, who is now in charge of the Ministry for Foreign Affairs, to give any satisfactory answer to my note of the 3rd April, in the absence of so many members of the Bulgarian Government.

On the afternoon of the 19th instant I received a visit from General Kaulbars, the President of the Council of Regency, who, in alluding to the claims of the Varna Railway Company, observed that the Bulgarian Government were anxious to arrive at a solution of the question, but that they hesitated about going to arbitration, as they were afraid that the arbitrators might award a sum which it would be impossible for Bulgaria to pay.

I replied that in that case the most satisfactory course would be for the Bulgarian Government to come to terms with the Company for the purchase of the line, and I was convinced that it would be to the advantage of Bulgaria to do so, as she would then obtain possession of the line, whereas the Conference of Ambassadors could merely decide the annual amount which Bulgaria would have to pay by way of interest.

General Kaulbars observed that it would be necessary for the Company to make very great reductions in their demands. It was well known that the real cost of the line was very much less than the sum which the Company asked, which he believed was 52,000,000 fr. To this I replied that it would be necessary to take into account the number of years during which no interest had been paid, and that I believed that the original cost of the line, together with the unpaid interest, would amount to a sum which would very nearly equal the sum demanded by the Company. That, however, was a question which must be settled between the Bulgarian Government and the Company, and which did not officially concern Her Majesty's Government, who only desired that an equitable arrangement should be arrived at. For many years the Company had received absolutely nothing, and had suffered great injustice from the cessation of the payments to which they were entitled under their agreement with the Porte, and as the Bulgarian Government had been hitherto unable to come to terms with the Company, and had agreed that the question should be referred to arbitration, it was my duty to hold them to that agreement.

Seeing that his Excellency was imperfectly acquainted with the details of the question, I gave him an outline of the negotiations which had taken place since my arrival at Sophia more than three years ago, using similar language to that which I had already held to M. Zancoff, as reported in my despatch No. 21, Commercial, of the 11th instant. I concluded by telling his Excellency that although I understood that, in the present state of affairs, it was impossible for the Acting Minister for Foreign Affairs to give me an answer to my note of the 3rd April, I thought that some notice should have been taken of it, as well as of my note of the 4th May, and that I had received your Lordship's instructions to hold no further communication with the Minister for Foreign Affairs upon this subject until I should have received a reply.

In a subsequent interview his Excellency informed me that it was impossible to give a reply at present to my note of the 3rd April, but that he had requested M. Tcherneff to acknowledge the receipt of my note of the 4th May.

I have the honour to inclose a copy of a note which I have this day received from M. Tcherneff, in which he states that the question of the Varna-Rustchuk Railway has occupied the serious attention of the Bulgarian Government, and that, as soon as the Bulgarian Ministers, who are at present absent, shall have returned to Sophia, their decision on the subject shall be communicated to me.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 226.

M. Tcherneff to Mr. Lascelles.

Sophia, le 22 Juin, 1883.

M. l'Agent,

EN vous accusant réception de la note que vous avez bien voulu adresser, le 4 Mai dernier, à M. K. Zancoff, Gérant du Ministère des Affaires Étrangères, concernant la question du Chemin de Fer de Roustchouk-Varna, j'ai l'honneur de porter à votre connaissance que le Gouvernement de Son Altesse, mon auguste Souverain, s'est occupé sérieusement de cette question et que, dès le retour à Sophia des titulaires des Ministères Princiers, actuellement absents, il s'empressera de vous communiquer ses résolutions.

Veuillez, &c.
(Signé) P. TCHERNEFF.

No. 227.

Mr. Wyndham to Earl Granville.—(Received July 19.)

(No. 191. Commercial.)

Therapia, July 9, 1883.

My Lord,

WITH reference to my despatch No. 115, Commercial, of the 1st December last, I have the honour to transmit a copy of a letter I have received from Mr. Timoni, begging me to protest against the debt of the Ottoman Government to the Varna Railway being included in the "dettes flottantes," for the settlement of which a scheme has been prepared by Wettendorf Bey.

PUBLIC RECORD OFFICE, LONDON

The debt alluded to by Mr. Timoni amounts to 140,000*l.*, and is the sum to which your Lordship instructed me not to allude in my communication to the Sublime Porte on the 1st December last.

As the project of Wettendorf Bey has not yet received the approval of the Ottoman Government, I think it best, in view of the present position of the question of the Varna Railway, to refer to your Lordship for instructions before taking any action on the request of Mr. Timoni.

I have, &c.
(Signed) HUGH WYNDHAM.

Inclosure 1 in No. 227.

Mr. Timoni to Mr. Wyndham.

Constantinople, June 27, 1883.

Excellency,

I AM in duty bound, as representative of the Varna Railway Company, to inform your Excellency, having been positively assured, that Wettendorf Bey has included in the "dettes flottantes" the amount of 140,000*l.*, due by the Imperial Ottoman Government, the yearly guarantee of 1874-75, which debt is duly acknowledged by the very obligation I hold, and which was delivered to me in May 1876.

Under such circumstances, in the name of the Board of Directors in London, I am hereby compelled to protest most solemnly against such a decision of Wettendorf Bey, that on no consideration whatever the above alluded debt of 140,000*l.* can possibly be admitted as coming within the category of "dettes flottantes."

For the information of your Excellency, I beg to transmit copy of my protest addressed to the Grand Vizier on the 15th November, 1875, accompanied by a Turkish translation, which had been sent on the 18th November, 1875, by the Sublime Porte to Yussouff Pasha, Minister of Finances; consequently, the amount of 140,000*l.* is from that date subject to interest.

I beg to solicit your Excellency's valuable support that full justice be done to the very lawful demand of the Varna Railway Company.

I have, &c.
(Signed) MICHEL TIMONI, *Agent,*
Varna Railway Company.

Inclosure 2 in No. 227.

Mr. Timoni to Mahmoud Pasha.

Constantinople, le 15 *Novembre*, 1883.

Altesse,

SOUS date du 14 Septembre dernier, j'ai remis officiellement au Ministère des Travaux Publics le compte des recettes brutes du Chemin de Fer de Roustchouk à Varna pour l'Exercice 1874-75, c'est-à-dire commençant le 1er Juillet, 1874, et finissant le 30 Juin, 1875, comme le constate ma Pétition à cet effet.

Selon la Convention en vigueur datée le 18 Mars, 1872, l'Article VI dit que: "Le Gouvernement Impérial Ottoman est tenu à payer la garantie accordée à la Compagnie du Chemin de Fer de Roustchouk à Varna, dans le délai de deux mois, de la remise au Gouvernement du compte des recettes." Titre livré le 14 Septembre dernier, comme il est dit ci-haut.

Son Excellence le Ministre des Finances m'a informé que le Gouvernement Impérial se trouve actuellement dans l'impossibilité de payer le montant de la garantie, en la somme de 140,000*l.*, échue le 14 de ce mois.

Pour sauvegarder de toute responsabilité MM. les Administrateurs du "Varna Railway Company" à Londres je suis contraint, Altesse, de protester formellement et solennellement, comme je proteste, contre le Gouvernement de Sa Majesté Impériale pour le non-payement de la dite garantie de 140,000*l.*, échue le 14 de ce mois, pour tous dommages-intérêts et frais nuisibles qui pourraient survenir aux actionnaires, ainsi qu'aux porteurs d'obligations du "Varna Railway Company," du non-payement de la garantie ci-dessus spécifiée.

Tout confiant dans la haute justice et équité de votre Altesse, j'ai, &c.
(Signé) MICHEL TIMONI,
Agent du Chemin de Fer Roustchouk à Varna.

No. 228.

Earl Granville to Mr. Lascelles.

(No. 31. Commercial.)

Sir, *Foreign Office, July* 23, 1883.

I APPROVE the note addressed by you to the Bulgarian Acting Minister for Foreign Affairs, a copy of which is inclosed in your despatch No. 30, Commercial, dated the 22nd ultimo, returning the two warrants which had been issued by the Tribunal of First Instance at Schoumla against the Directors of the Varna-Rustchuk Railway Company and Mr. Timoni, their agent, at Constantinople.

I am, &c.
(Signed) GRANVILLE.

No. 229.

Earl Granville to Mr. Lascelles.

(No. 34. Commercial.)

Sir, *Foreign Office, July* 23, 1883.

I HAVE to acknowledge the receipt of your despatch No. 31, Commercial, of the 23rd ultimo, relative to the question of the Varna Railway, and to inform you that I approve the steps you have taken in the matter as therein reported.

With reference to your remarks on the point of abstaining from communication with the Bulgarian Government, I have to repeat, as I have already informed you by telegram, that my intention was that you should refrain from further discussing details of this question pending the reply of the Bulgarian Government to your note of the 3rd April, not that you should abstain altogether from communication with that Government.

I am, &c.
(Signed) GRANVILLE.

No. 230.

Earl Granville to Mr. Lascelles.

(Commercial.)
(Telegraphic.) *Foreign Office, July* 23, 1883, 6·30 P.M.

YOUR despatch No. 31 of the 23rd June.

Last paragraph. Have the Ministers returned, if so press for a reply to your note of the 3rd April.

No. 231.

Question asked in the House of Lords, July 24, 1883.

The Earl De La Warr,—To call attention to the Xth Article of the Treaty of Berlin, with special reference to the Rustchuk-Varna Railway Company; and to ask if Her Majesty's Government propose to take any steps to enforce the stipulations of the Treaty with regard to the obligations of the Principality of Bulgaria.

Answer.

The Bulgarian Government have agreed to refer the settlement of their obligations to the Rustchuk-Varna Railway Company under the Xth Article of the Treaty of Berlin to arbitration. The terms of the Agreement of Reference are under discussion, but owing to the absence of the Prince and his Ministers, and other causes, there has been great delay on the part of the Bulgarian Government in replying to the last communication addressed to them on the subject by Her Majesty's Minister at Sophia. Mr. Lascelles, however, in a despatch received at the Foreign Office on the 19th instant, reports that he has received the assurance that the matter has occupied their serious attention, and that as soon as the Bulgarian Minister shall have returned to Sophia their decision on the proposals of Her Majesty's Government will be communicated to him.

No. 232.

Earl Granville to Mr. Wyndham.

(No. 119. Commercial.)

Foreign Office, July 30, 1883.

Sir,

I HAVE had under my consideration your despatch No. 191, Commercial, dated the 9th instant, inclosing a copy of a letter from Mr. M. Timoni, in which he protests, on behalf of the Varna Railway Company, against the proposal of Wettendorf Bey, that the debt of the Ottoman Government to that Company should be included in the "dettes flottantes;" and I have now, in reply, to state that for the present it will be sufficient that you simply acknowledge the receipt, on behalf of Her Majesty's Government, of Mr. Timoni's letter.

I am, &c.
(Signed) GRANVILLE.

No. 233.

Mr. Dixon-Hartland, M.P., to Earl Granville.—(Received August 14.)

House of Commons, August 13, 1883.

My Lord,

I AM requested to forward to your Lordship the inclosed Memorial, most influentially signed, on behalf of the bond and share holders of the Rustchuk and Varna Railway Company, which I venture to hope may receive your Lordship's careful consideration.

I have, &c.
(Signed) F. D. DIXON-HARTLAND.

Inclosure in No. 233.

Memorial.

To the Right Honourable the Earl Granville, K.G., Secretary of State for Foreign Affairs.

The Memorial of the undersigned holders of the obligations and shares of the Rustchuk and Varna Railway Company,

Sheweth:

THAT your memorialists are large holders of bonds and shares of the Rustchuk and Varna Railway Company, who were, prior to the Treaty of Berlin, guaranteed by the Turkish Government the annual payment of 140,000*l.*

That, by the Xth Article of the said Treaty, Bulgaria was substituted for the Imperial Ottoman Government with regard to its charges and obligations towards the said Railway.

That, since the Treaty of Berlin, no part of the guaranteed annuity has been paid by the Bulgarian Government, and no interest or dividend has been received by your memorialists or the other holders of the Company's shares and obligations.

That continued efforts have been made, but ineffectually, to induce the Bulgarian Government, by every means, to fulfil their responsibilities to the Company upon equitable terms, which, however, have met with no acceptance.

That your memorialists gratefully recognize the assistance rendered by your Lordship in supporting the just claims of the Company, and respectfully solicit your further aid in that behalf.

That, impressed with the conviction that nothing short of a definition and enforcement of the Company's rights under the Treaty of Berlin will secure them justice, your memorialists cordially support the policy of the Council of Administration in seeking, with the aid of your Lordship, a reference of the Company's claims to the arbitration and award of the Ambassadors of the Powers who were parties to the Berlin Treaty; and your memorialists would most respectfully suggest, for the consideration of your Lordship, whether an application to the other Signatory Powers to the Treaty of Berlin might not be now usefully made, whereby some joint or combined action might be assured, most earnestly calling upon the Government of Bulgaria to fulfil their obligations towards the Rustchuk and Varna Railway Company, which, up to the present, have been evaded; or, in the event of non-fulfilment on the joint request of the Signatory Powers by a time to be named, that a meeting of the Ambassadors would be summoned, by whom the obligation of the Bulgarian Government towards the Rustchuk and Varna Railway Company shall be determined, decided upon, and enforced.

Your memorialists therefore humbly pray your Lordship, by means of such reference, or such other steps as may to your Lordship and the Council of Administration appear most expedient, to secure for the Rustchuk and Varna Railway Company an acknowledgment and discharge by the Bulgarian Government of their liability to that Company, and for your memorialists as speedy relief as possible from the great loss and injury which has been, and still is being, occasioned them by the non-payment of the guaranteed annuity for so many years.

And your memorialists will ever pray, &c.

(Signed) HELBERT, WAGG, AND CAMPBELL.
(And 70 others.)

No. 234.

Mr. Lascelles to Earl Granville.—(Received August 16.)

(No. 37. Commercial.)

Sophia, July 27, 1883.

My Lord,

I HAD a conversation yesterday with M. Zancoff, the Acting Minister for Foreign Affairs, who has recently returned to Sophia, in the course of which I informed him that I had received a telegram from your Lordship instructing me to press again for an answer to my note of the 3rd April on the subject of the Varna-Rustchuk Railway question, and I also told him that I had previously been instructed by your Lordship to abstain from all further communication on the subject until I should have received a reply.

M. Zancoff said that this question was occupying the serious attention of the Bulgarian Government, who were fully alive to the necessity of arriving at a satisfactory solution.

I then told M. Zancoff that a report had reached me that the Minister of Justice intended that the action brought against the Directors of the Varna Company in the Court of First Instance at Schoumla should be proceeded with, although the summonses had not been served, and that he had argued that the Bulgarian authorities had done all that was needful in the matter in requesting me to forward the summonses to their destination. I observed that, for the reasons stated in my note to M. Tcherneff of the 20th June (copy of which was inclosed in my despatch to your Lordship No. 30, Commercial, of the 22nd June), Her Majesty's Government could not undertake to serve the summonses in question, and that a very serious question would arise if the action were proceeded with and the Company condemned in default in a case in which the summonses had never been served upon them. M. Zancoff having replied that the Bulgarian Government had no means of serving the summonses in London, where they had no agent, I observed that I thought it would be more prudent not to raise the question, as I presumed that the answer would be that the Turkish Ambassador was the official Representative of Bulgaria. It appeared to me that the Bulgarian Government might make sure of the summonses reaching their destination by sending them by post in a registered letter, and the objection he had raised did not apply in the case of Mr. Timoni, the agent of the Company at Constantinople, where the Bulgarian Government were represented.

I have, &c.
(Signed) FRANK C. LASCELLES.

PUBLIC RECORD OFFICE, LONDON

No. 235.

*Sir J. Pauncefote to Messrs. Helbert, Wagg, and Campbell.**

Foreign Office, August 20, 1883.

Gentlemen,

I AM directed by Earl Granville to acknowledge the receipt of your Memorial praying Her Majesty's Government to apply to the Powers who signed the Treaty of Berlin to join in urging the Bulgarian Government to fulfil their obligations towards the Varna and Rustchuk Railway Company.

As you are no doubt aware, from the time the Company called their attention to the failure of the Bulgarian Government to comply with the stipulations of the Treaty in the matter, Her Majesty's Government have lost no opportunity of pressing the Company's claims in the manner judged best calculated to attain the end desired.

The Bulgarian Government differed from the Company as to the amount due to the latter under the terms of the Treaty, and accepted the proposal that their differences should be settled by referring them to a Conference of the Ambassadors at Constantinople.

Her Majesty's Government concurred in this arrangement. Great delay has, however, arisen from the difficulty of bringing the Bulgarian Government to accept such a basis of arbitration as would be satisfactory to the Company.

Her Majesty's Government feel convinced that the many amendments and additional conditions proposed by Bulgaria after definitely agreeing to arbitration have been considered in the most conciliatory manner both by Her Majesty's Government and by the Company, although it has been necessary to reject entirely several of these conditions, some of which would have had the inevitable result of defeating the object for which arbitration was resorted to, namely, a speedy and definitive settlement of the questions in dispute.

A basis of arbitration, which, in the opinion of Her Majesty's Government, meets every reasonable wish of the Bulgarian Government, was submitted to the latter on the 3rd April last. Her Majesty's Representative at Sophia has repeatedly urged its acceptance, and is now assured that it is receiving the earnest attention of the Bulgarian Government.

The principle of arbitration having been accepted by the parties interested, Lord Granville is of opinion that the reply of the Bulgarian Government to the last proposals should be waited for before any other action is taken in the matter.

I am, &c.

(Signed) JULIAN PAUNCEFOTE.

No. 236.

Mr. Wyndham to Earl Granville.—(*Received August* 30.)

(No. 253. Commercial.)

Therapia, August 15, 1883.

My Lord,

I HAVE the honour to report that I have acknowledged the receipt of Mr. Timoni's communication to me in regard to the proposal to include in the floating debt the debt due by the Imperial Ottoman Government to the Varna Railway in the terms of your Lordship's instruction in No. 119, Commercial, of the 30th ultimo.

I have, &c.

(Signed) HUGH WYNDHAM.

No. 238.

Mr. Wyndham to Earl Granville.—(*Received September* 17.)

(No. 297. Commercial.)

Therapia, September 12, 1883.

My Lord,

IN obedience to the instructions contained in your Lordship's despatch No. 152, Commercial, of the 31st ultimo, I have the honour to state that I have addressed a note

* Also to Messrs. R. W. Carden and Co., and others.

No. 237.

Earl Granville to Mr. Wyndham.

(No. 152. Commercial.)

Foreign Office, August 31, 1883.

Sir,

WITH reference to your telegram of the 25th November last and your despatch No. 1, Commercial, of the 8th January, I transmit to you a copy of a letter I have received from the Varna-Rustchuk Railway Company respecting the subsidy due to them for the year 1874-75.*

As the Porte is already aware, Her Majesty's Government have consented to refer to arbitration the claims of the Company arising out of the Xth Article of the Treaty of Berlin; but I have to instruct you to lay before the Porte the considerations urged in the inclosed letter from the Company, who support, with much force of argument, the grounds on which they insist that the sum of 140,000*l.* in respect of the guarantee for the year ending 30th June, 1875, does not come under the words "comptes antérieurs" in Article X of the Treaty, which, in their view, can only apply to unsettled accounts.

The Ottoman Government have acknowledged their liability to pay this particular sum since the signature of the Treaty of Berlin and proposed arrangements for doing so, as reported in Lord Dufferin's despatch No. 725 of the 23rd August, 1881.

Her Majesty's Government hold themselves entitled to claim the execution of this undertaking pending the settlement by arbitration of the questions connected with the other payments due to the Company by Turkey and Bulgaria, and also to support the protest of the Company against the sum in question being classed among the "dettes flottantes" of Turkey.

I am, &c.

(Signed) GRANVILLE.

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* August 11, 1883.

to the Sublime Porte, of which a copy is herewith inclosed, in regard to the sum of 140,000*l.* due by the Ottoman Government to the Varna Railway Company.

I have, &c.

(Signed) HUGH WYNDHAM.

Inclosure in No. 238.

Note Verbale.

HER Majesty's Embassy has the honour to call the attention of the Sublime Porte once more to the sum due by the Ottoman Government to the Varna Railway Company, amounting to 140,000*l.*, being the guarantee for the year ending the 30th June, 1875.

The Sublime Porte is aware that Her Majesty's Government have consented to refer to arbitration the claims of the Company arising out of the Xth Article of the Treaty of Berlin, but this arrangement could not affect the above-mentioned claim of 140,000*l.*, which cannot be amalgamated with the unsettled accounts, or "comptes antérieurs," now pending for the three subsequent years between the 30th June, 1875, and the signature of the Treaty of Berlin in August 1878.

These latter years are those alluded to in Article X of the Treaty of Berlin as coming under the head of "comptes antérieurs," to be settled in the manner therein stated.

The claim of the Company, however, for the 140,000*l.* due by the Ottoman Government for the year 1874-75 cannot possibly be considered as coming under the Treaty of Berlin. It is an acknowledged and admitted debt, based on accounts duly examined and passed by the Ottoman Public Works Department, approved by the Council of Ministers in 1876, upon which a regular engagement from the Department of the Minister of Finance was delivered in May 1876, acknowledging that the sum was due to the Varna Railway Company for the guarantee of 1874-75, and that the amount would be reimbursed by monthly payments of 12,000*l.* Further than this, the Sublime Porte, in correspondence both with their Excellencies Mr. Goschen and the Earl of Dufferin, have given the most positive and definite assurances that the payment should then forthwith be made by handing over havalés; and his Highness Saïd Pasha stated to Her Majesty's Ambassador "that this engagement was not intended to be delusive, and that the havalés would be duly cashed, and that if not cashed in the provinces they would be at Constantinople;" and subsequently, on the 18th August, 1881, official notice was made to this Embassy that orders had been given to the Financial Department to settle the claims.

Her Majesty's Embassy, in view of the acknowledgment by the Ottoman Government of their inability to pay the particular sum of 140,000*l.*, is instructed to state that Her Majesty's Government hold themselves entitled to claim the execution of this undertaking pending the settlement by arbitration of the question connected with the other payments due to the Company by Turkey and Bulgaria, and Her Majesty's Government also support the protest of the Company against the sum in question being classed among the "dettes flottantes" of the Ottoman Government.

Therapia, September 12, 1883.

No. 239.

Mr. Mavrogordato to Mr. Gladstone.—(Received at the Foreign Office, September .)

Sir, 19, *Bishopsgate Street Within, London, September* 26, 1883.

I BEG to address you upon a matter the settlement of which is of great importance to a large body of men, and also, I believe, of importance to the Government. It is the claim of the Varna Railway Company upon the Bulgarian Government secured to them by Article X of the Treaty of Berlin.

Let me first ask you to pardon me if I intrude the affair on your attention at this time, but the moment is in all other respects opportune, and I believe I do well to call your attention to it.

The recent change in Bulgarian politics, which, after a long interval, has brought the Liberals to the front with M. Zancoff as Prime Minister, gives a good opportunity for closing this long-pending question, and I am going to make a statement and a

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proposal for your consideration. I had better state at once that I write in the character of a Director of the Varna Railway and a member of the Bondholders Committee.

My proposal is such that I need not trouble you with the details of the claim. My statement is that your name and personality has such weight, and with just cause, with the party that has come into power at Sophia, that if a wish were expressed by you that this long-pending matter should now be settled, and that it would greatly redound to the credit and advantage of the Bulgarian Government and the country, such a wish would have more effect than all the official political pressure that can be exerted, and has been exerted upon the Bulgarian Government by the Foreign Office hitherto without any result.

My proposal is that a personal communication from yourself as to your wish and opinion upon the subject might reach M. Zancoff by such means as you think proper.

Should you see fit to comply with this suggestion, and your action should be successful, you will not only render a great service to a number of people interested in a settlement, but you will also get rid of a difficult question involving somewhat the responsibility of the Government, inasmuch as it is one of the unsettled points of the Berlin Treaty.

To give an idea of the magnitude of the question, I may mention that the interest alone now unpaid and due from the Bulgarian Government amounts to 700,000*l.*, and that the settlement by transfer of the railway to that Government would involve a sum of between 2,000,000*l.* and 3,000,000*l.*

I have, &c.
(Signed) E. A. MAVROGORDATO.

No. 240.

Earl Granville to Mr. Lascelles.[*]

(No. 59. Commercial.)

Foreign Office, October 13, 1883.

Sir,

THE claims of the Varna and Rustchuk Railway Company under the Treaty of Berlin have occupied the serious attention of Her Majesty's Government from the time when the Company made them aware of the failure of Bulgaria to fulfil the obligations which had devolved on her; but, in pressing on the Bulgarian Government the necessity of executing the provisions of that Treaty, which appeared to them to put the rights of the Company beyond dispute, they have always shown the greatest readiness to make allowance for the difficulties, both administrative and financial, with which the Bulgarian State may have had to contend. They have, however, been reluctantly forced to the conclusion that the indulgence thus shown has been met on the part of the Principality, not, as was to be hoped, by an increased desire to carry out the wishes of Her Majesty's Government and its own obligations so far as circumstances permitted, but, on the contrary, by unnecessary delays, and by proposals which it was at all times evident must, if accepted, have the result of still further postponing a settlement.

The fact that the Bulgarian Government has neglected to reply to the note which you addressed to them under my instructions so long ago as the 3rd April last has, in a marked degree, confirmed this painful impression.

The first difficulty raised in the matter concerned the original documents deposited at the Porte showing the obligations contracted towards the Company by the Ottoman Government, which obligations passed to Bulgaria from the date of the ratification of the Treaty of Berlin. For obvious reasons, the Company could not part with the duplicate originals in their possession; and so, in August 1879, the Bulgarian Minister for Foreign Affairs gave to Her Majesty's Agent and Consul-General the assurance that authenticated French translations of the documents held by the Company would be accepted as a sufficient basis for examination and action. These translations were duly furnished; but in May 1880 the Bulgarian Government, although the existence of the arrangement was not denied, reverted to their original demand, and refused to proceed without the documents held by the Porte.

In the early part of 1881 the Government of the Principality offered a composition to the Company, but, as the amount offered was but slightly over one quarter of what had been due from the Porte, it was not accepted. It thus appeared that the Bulgarian Government admitted a liability towards the Company, although they disputed the amount claimed; and the Company therefore proposed that the matter should be

[*] Copies sent to Constantinople and St. Petersburgh, October 27, 1883.

referred for settlement to the Ambassadors at Constantinople of the Signatory Powers of the Treaty of Berlin.

By a note dated 13th May, 1881, this proposal was accepted by Bulgaria; and on the 28th June you submitted to the Prince's Government the bases proposed by the Company for the reference. Although you repeatedly pressed for an answer to your note, none was vouchsafed till the 3rd September, 1881, when M. Voulcovitch stated that the reference must be on the basis of the value of the shares at the time the Treaty transferred the obligations incurred by Turkey from that country to Bulgaria; but, owing to the uncertainty which then prevailed as to the future position of the Company, and the failure of the Porte to meet its obligations on account of the war, that value was almost nothing, and the Company could not have been expected to accept it; moreover, it could not have been seriously intended to trouble the Ambassadors with a reference on such a basis, as it would have reduced their functions to the mere ascertaining of the Stock Exchange value of the shares at the time specified, and the calculation of 7 per cent. on the amount so found.

It should here be noted that the Bulgarian Government took a most ungenerous view of the offer thus made by the Company, in that they endeavoured to show that, by offering to submit the points in discussion to arbitration, the Company had practically admitted that their rights were open to discussion. It is, however, needless to observe that, if such a deduction were admitted to be legitimate, every party who proposed arbitration, though solely to obtain a peaceful and speedy settlement of a difference, would go before the arbiters with a damaged case, whereas the very fact of making such a proposal should be taken rather as a presumption in favour of the soundness of his contention.

The further offer by Bulgaria to take as basis the settlement made or to be made by Turkey with the holders of her bonds was as little likely to be accepted by the Company.

The refusal of the conditions thus unreasonably proposed by Bulgaria was communicated to her Government by you on the 15th October, 1881. Vexatious delay again occurred, and it was not till the 21st February, 1882, that the Bulgarian Government replied to this note. The reply was in itself satisfactory; the proposed reference was accepted unreservedly, saving only two conditions, which were immediately accepted, although the delay of six months stipulated by Bulgaria for her Agents to study the question was unnecessarily long, considering the time the matter had already been under discussion.

When, however, the draft of a despatch by which Her Majesty's Government proposed to ask the Powers concerned to permit their Ambassadors to act was submitted to the Bulgarian Government, the latter insisted that the "previous accounts" mentioned in the second paragraph of the XIth Article of the Treaty should be withdrawn from the cognizance of the arbitration. This Her Majesty's Government consented to do. In order to avoid all misunderstanding, a draft Agreement was prepared regulating the *modus* of the reference, embodying the wishes of the Bulgarian Government on this and other points; but Her Majesty's Government were surprised and pained to find that the Bulgarian Government, notwithstanding their acceptance of arbitration with no other conditions than the two already referred to, now required, in addition, that Turkey should be represented at the Conference, that the award, to be binding, must be unanimous, and that the "previous accounts," which had been withdrawn from the scheme at their request less than three months before, should be included in it. The probability of obtaining absolute unanimity in a case involving a question of amount must always be small, and Her Majesty's Government, seeing the attitude of the Principality throughout these negotiations, can but conclude that it must have been evident to those who put forward this unprecedented condition that it would render a binding award next to unattainable.

The last proposals of Her Majesty's Government meet every legitimate wish of the Bulgarian Government, provide against the contingency of an equal division of votes at the arbitration, without, however, giving to the President a casting vote—to which alternative the Bulgarian Government took needless and groundless exception—and afford a means of speedily settling every point which may arise. These proposals were submitted by you to the Bulgarian Government on the 3rd April last; notwithstanding your frequent requests for an answer to your note, none has yet been received.

Apart from the vexatious delays and nugatory proposals of which I have recapitulated the narrative, Bulgaria has neglected to pay to the Company even the annual subsidy, whatever be its amount, which she conscientiously considers to be due to it,

and in so doing has failed to show proper loyalty to the provisions of the Treaty of Berlin, which, while conferring on her the privileges of an autonomous State, imposed corresponding obligations.

As I have stated above, Her Majesty's Government have throughout used the greatest forbearance to the Principality, but as Great Britain is one of the Powers parties to the Treaty of Berlin, and is especially interested in the proper execution of the Xth Article, Her Majesty's Government cannot permit the present state of affairs with regard to the Varna Railway Company to continue without protest.

Unless, therefore, the last proposals made to the Bulgarian Government are accepted, and some substantial payment on account made to the Company forthwith, Her Majesty's Government will consider the expediency of inviting the Signatory Powers of the Treaty of Berlin to convene the Conference at once, without further reference to the Government of Bulgaria in the matter.

I have to instruct you to read this despatch to the Bulgarian Minister for Foreign Affairs, and to furnish his Excellency with a copy of it.

I am, &c.
(Signed) GRANVILLE.

No. 241.

Mr. Lascelles to Earl Granville.—(Received October 27.)

(No. 40. Commercial.)
Sophia, October 15, 1883.

My Lord,

I TOOK an early opportunity, after the formation of the present Bulgarian Ministry, of speaking to M. Balabanoff about the claims of the Varna-Rustchuk Railway Company. I said that although I did not wish to press him too severely during the crisis through which the country was passing, it was my duty to remind him that my note of the 3rd April was still unanswered.

M. Balabanoff assured me that the present Government were fully alive to the necessity of settling this long-pending question, and that they would spare no pains to come to an arrangement either by arbitration or by a direct understanding with the Company, and in a subsequent interview he informed me that Messrs. Stoitchoff and Harrower had been appointed Bulgarian Delegates to treat with the Company for the purchase of the line, and that they had been instructed to make a final attempt to come to an understanding with the Company.

I told M. Balabanoff that I should be sincerely glad if the question could be settled directly with the Company, and that I was convinced that such a solution would be to the interest of all parties concerned, but that it would be useless for Messrs. Stoitchoff and Harrower to go to London unless they were provided with instructions to make an offer which the Company might be reasonably expected to accept. Unless they were provided with such instructions, their mission would, in my opinion, do more harm than good, and would be considered as a further attempt on the part of the Bulgarian Government to put off the settlement of the question.

M. Balabanoff replied that the instructions to Messrs. Stoitchoff and Harrower would have to be carefully considered, and that those gentlemen had been requested to submit their views to the Government. He could again assure me that their mission would be a serious attempt to settle the question, and he said that he had been informed by a gentleman who had recently visited Sophia that the Company would probably accept a sum of 45,000,000 fr.

I said that I understood that the sum which the Company were prepared to accept last year was larger than the one he had mentioned, and that since then their claim would have naturally increased by the amount of the interest due for the year which had elapsed. The question of amount, however, was one which did not concern Her Majesty's Government, who only desired a solution of the question. If the Bulgarian Government could come to terms with the Company, so much the better; but if not, it would be necessary that the agreement to refer the question to the Ambassadors of the Great Powers at Constantinople should be carried into effect.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 242.

Mr. Lascelles to Earl Granville.—(Received October 31, 8 A.M.)

(No. 22. Commercial.)
(Telegraphic.)
Sophia, October 30, 1883, 10 P.M.

BULGARIAN Government are anxious to be informed by telegraph if Varna Railway Company is disposed to treat directly with them without any intermediary.

No. 243.

Earl Granville to Mr. Lascelles.

(No. 41. Commercial.)
Foreign Office, October 31, 1883.

Sir,

I HAVE received your despatch No. 40, Commercial, of the 15th instant, reporting your conversation with M. Balabanoff on the subject of the Varna-Rustchuk Railway question, and I have to convey to you my entire approval of the language held by you on that occasion, as reported in the despatch above referred to.

I am, &c.
(Signed) GRANVILLE.

No. 244.

Sir J. Pauncefote to Mr. Pasco.

Foreign Office, November 1, 1883.

Sir,

WITH reference to the previous correspondence between this Department and the Varna Railway Company respecting their claims on the Bulgarian Government under Article X of the Treaty of Berlin, I am directed by Earl Granville to inform you that the Bulgarian Government have inquired of Her Majesty's Agent and Consul-General at Sophia "whether the Varna Railway Company is disposed to treat directly with them without any intermediary."

Mr. Lascelles adds that the Bulgarian Government are anxious to be informed of the Company's wishes at as early a date as possible, and I am therefore to request that an immediate reply may be sent to this letter.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 245.

Mr. Mozley to Sir J. Pauncefote.—(Received November 5.)

23, New Bond Street, November 3, 1883.

Sir,

I HAVE the honour to inclose, for the information of Lord Granville, copies of a recent correspondence between myself and the Council of Administration of the Varna Railway Company.

The last paragraph in my letter of this date to the Council of Administration will, I am confident, be a sufficient excuse for my troubling you.

I have, &c.
(Signed) FREDERICK MOZLEY.

Inclosure 1 in No. 245.

Mr. Mozley to Mr. Pasco.

23, New Bond Street, London, October 4, 1883.

Sir,

I HAVE the honour to inform your Board that I have received this morning a cypher telegram from M. Kaufmann, to the effect that Messrs. Stoichoff and Harrower

have been officially appointed by the Bulgarian Government Delegates to discuss the Varna matter, and that they leave for London for this purpose in a fortnight.

I remain, &c.
(Signed) FREDERICK MOZLEY.

Inclosure 2 in No. 245.

Mr. Mozley to the Board of Directors of the Varna Railway Company.

23, *New Bond Street, London, October* 24, 1883.

Gentlemen,

I BEG to confirm my letter of the 4th instant.

I have since been in daily communication with Sophia, and receiving lengthy telegrams, not always too clear, owing to mistakes in transmitting the cypher, but I have from time to time, in an informal manner, endeavoured to keep your Chairman advised of anything of importance.

I now deem it right to intimate that M. Kaufmann, warmly supported by Mr. Lascelles, in an unofficial capacity, informed the Bulgarian Government that it would be useless sending Delegates to London simply to "discuss ('discuter") an arrangement" with your Company without ample powers and instructions; and I learn that upon these representations the Delegates have been requested to make a Report to the Ministerial Council.

I would point out that I have always impressed on the Bulgarian Government that your Company, whilst willing to entertain an equitable proposal for settlement of your claim, would not enter into any direct negotiation which might infringe on its full rights under Clause X of the Berlin Treaty.

Bearing on this, I received late on Saturday, the 20th instant, a telegram, implying, so far as I could gather, that difficulty had arisen as to the mode in which the Company should be approached, and I replied that the Company was always willing to entertain through me an offer, based on your Board's letter of August 1882, textually communicated to the Government in accordance with your instructions.

The Bulgarian Government accepted in principle, so far back as April 1882, my original scheme for an arrangement "à l'amiable" by a purchase of your railway; and I may add that all the conditions signed in July 1882 between myself (as Delegate of the Bondholders' Committee) and the then Bulgarian Minister for Foreign Affairs (M. Vulcovitch) are in force. By one of the clauses, any sum eventually agreed on as the purchase money is to carry interest from the 1st July, 1882—a very important condition.

Notwithstanding the more hopeful prospect of a settlement, I would urge your Board to continue all possible pressure on the Bulgarian Government through the Foreign Office, assuring you that such influence as I possess shall be used to the same end.

I have, &c.
(Signed) FREDERICK MOZLEY.

Inclosure 3 in No. 245.

Mr. Mozley to the Board of Directors of the Varna Railway Company.

23, *New Bond Street, London, October* 24, 1883.

Gentlemen,

I HAVE reason to believe that it would be agreeable to the Bulgarian Government that the Varna Railway Company should have an agent at Sophia, holding a somewhat similar position to that of M. Timoni at Constantinople.

I am authorized by M. Paul Kaufmann to offer you his services in this capacity.

During the time M. Kaufmann has been at Sophia assisting me to conduct my difficult and laborious negotiation, he has acquired the respect of the Bulgarian Government and the confidence of the people, and I am sure would be a *persona grata*.

Your Board has had some experience of his capability and integrity, and I feel assured that, if honoured with your confidence, he would be of great service to you, and eventually aid in smoothing many difficulties.

I have, &c.
(Signed) FREDERICK MOZLEY.

Inclosure 4 in No. 245.

Mr. Pasco to Mr. Mozley.

Varna Railway Company, Offices, 56, *New Broad Street, London, October* 25, 1883.

Dear Sir,

YOUR letters of the 4th and 24th instant have been read to the Council of this Company, and while thanking you, the Council feel it impossible to accept your proferred services or those of your agent at Sophia, M. Kaufmann.

You are evidently acting under misapprehension when you state, in your letter of the 24th, that you had informed the Bulgarian Government that the Company was always willing to entertain through you an offer based on the Board's letter of the 8th August, 1882. You had no such authority to make a statement of that nature.

I am also directed to remind you, with a view of preventing possible further misunderstanding, that the Board's letter to which you refer related only to a specific proposal which came to nothing; and considering the period which has elapsed, the Council had imagined that you had accepted the position.

I may further add that, in order to remove any incertitude, while not admitting any necessity so to do, the Council request me to declare to you that they formally revoke and cancel that letter and every supposed power you may imagine it conferred upon you, and also to state that you have no authority, either directly or indirectly, from the Council, or any one else, representing the Directors or the Company, in any manner to treat with the Bulgarian Government with respect to the interests of the Company; and the Directors feel it incumbent to make this communication to you in order to prevent any possible misunderstanding with the Bulgarian Government, or with the British Foreign Office and its representatives, so as to interfere with or prejudice the Company's rights under the Treaty of Berlin or otherwise.

By order of the Council of Administration.
(Signed) ROBERT PASCO, *Secretary.*

Inclosure 5 in No. 245.

Mr. Mozley to the Council of Administration of the Varna Railway Company.

23, *New Bond Street, London, November* 3, 1883.

Gentlemen,

I HAVE to acknowledge your Secretary's letter of the 25th October, and cannot but think that it has been written in forgetfulness of your instructions of August 1882, which were to continue the negotiations I had been, and was then, conducting on behalf of the Committee of Bondholders of the Varna Railway.

The object of the instructions was no doubt to carry out a specific proposal, and all the negotiations, delicate and difficult as they have been, have been conducive to the attainment of this end.

Surely, it cannot be gainsaid by any one who has had experience in Eastern affairs, that the time which has elapsed since your instructions has been longer than might have been expected, more especially having regard to the political state of the Principality, to say nothing of the hopes incited in the Bulgarian Government by the interference of persons, though not accredited, assuming unofficially a power of settling your claims on very modified conditions as compared with those with which I was charged.

I would with confidence appeal to Mr. Lascelles and Mr. R. J. Kennedy, who acted for Mr. Lascelles during his absence, as to the zeal, energy, and judgment with which my negotiations have been conducted, and the confidence with which I have been able personally to inspire the chiefs of the Bulgarian Government, this last being no small factor in bringing about a successful result. In fact, during my long sojourn in Bulgaria I succeeded, through the high introductions with which I was accredited, as well as by my personal demeanour, in establishing a position never before attained by any foreigner.

It is with regret and surprise that I learn that my last communication to the Bulgarian Government is repudiated by you. It has been your invariable policy up to this time to avoid direct communication with the Bulgarian Government, and, appreciating your motives, I conceived that I was but giving effect to your policy by inducing the Government to instruct their Delegates to continue to treat through me.

PUBLIC RECORD OFFICE, LONDON

As the chiefs of the Foreign Office have been hitherto kept informed of the various phases my negotiations have assumed, and my course of action has received their unofficial approval, I feel it only respectful to inform them of the present position of matters, and with this object I purpose to send a copy of this correspondence to the Foreign Office.

I am, &c.
(Signed) FREDERICK MOZLEY.

No. 246.

Lord E. Fitzmaurice to Mr. Mozley.

Foreign Office, November 6, 1883.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 3rd instant, inclosing copies of your correspondence with the Varna Railway Company.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 247.

Mr. Pasco to Lord E. Fitzmaurice.—(Received November 7.)

Varna Railway Company, Offices, 56, *New Broad Street, London, November* 6, 1883.

My Lord,

I HAVE the honour to acknowledge your letter of the 1st instant, wherein you were so good as to say that you were directed by the Earl Granville to inform me that the Bulgarian Government have inquired of Her Majesty's Agent and Consul-General at Sophia "whether the Varna Railway Company is disposed to treat directly with them without any intermediary."

I am instructed, in reply, to state that the Council of Administration are prepared to accept the proposal of the Bulgarian Government, reserving, however, the Company's rights under the Treaty of Berlin, and without disturbing in any way the good offices of Her Majesty's Government hitherto extended to the Company in respect to the proposed reference to the Ambassadors at Constantinople, which the Council feel should be pressed vigorously to a solution.

Looking at the past, and the difficulties and long delays interposed by the Bulgarian Government, the Council feel it incumbent upon them to urge the above conditions, and also that the Bulgarian Government should give to their Commissioners plenary powers to the satisfaction of Her Majesty's Foreign Office to negotiate and carry into effect any arrangements that may be arrived at.

I have, &c.
(Signed) ROBT. PASCO, *Secretary.*

No. 248.

Earl Granville to Mr. Lascelles.

(No. 42. Commercial.)
(Telegraphic.) *Foreign Office, November* 8, 1883, 1·30 P.M.

YOUR telegram of 30th.

Railway Company accepts proposal of Bulgarian Government to treat directly, but without prejudice to their rights under the Treaty of Berlin, nor to the existing engagements as to arbitration.

No. 249.

Earl Granville to Mr. Lascelles.

(No. 43. Commercial. Ext.)

Foreign Office, November 8, 1883.

Sir,

I HAVE referred to the Varna Railway Company the inquiry made in your telegram of the 30th ultimo as to whether they are prepared to treat directly with the

Bulgarian Government, and I now transmit to you a copy of the reply I have received,* from which you will perceive that the Company accept the proposal, but without prejudice to the rights secured to them by the Treaty of Berlin, nor to the existing engagements made with Her Majesty's Government as to arbitration.

I am, &c.
(Signed) GRANVILLE.

No. 250.

Earl Granville to Mr. Lascelles.

(No. 45. Commercial.)

Foreign Office, November 9, 1883.

Sir,

I TRANSMIT to you herewith, for your information, copy of a letter and its inclosures from Mr. Mozley respecting the affairs of the Varna Railway Company.†

I am, &c.
(Signed) GRANVILLE.

No. 251.

Mr. Mozley to Lord E. Fitzmaurice.—(Received November 10.)

23, *New Bond Street, London, November* 9, 1883.

My Lord,

I HAVE the honour to acknowledge the receipt of your Lordship's letter to me of the 6th instant, and now inclose, for the further information of Lord Granville, a copy of a letter I have received from the Council of Administration of the Varna Railway Company, and of my reply.

I have, &c.
(Signed) FREDERICK MOZLEY.

Inclosure 1 in No. 251.

Mr. Pasco to Mr. Mozley.

Varna Railway Company, Offices, 56, *New Broad Street, London, November* 8, 1883.

Dear Sir,

I HAVE to acknowledge your letter of the 3rd instant, addressed to the Council of Administration of this railway.

At the time when you originally went to Sophia on your mission on behalf of the bondholders, the Council, with the idea of strengthening your hands, were asked by the Committee of Bondholders, as you may remember, to favour the objects of your journey; but they did not intend to, nor did they, depute to you any power to act authoritatively for the Company. They were pressed by the Bondholders' Committee to write their letter to you of the 13th July, 1882, under the representation that success would probably attend your efforts; and it was for that temporary object and specific proposal only that the letter was written, and for no other purpose: hence the Council cannot regard otherwise than with surprise the apparent misapprehension under which you were acting, and they consequently hastened, by their communication of the 25th October, 1883, to place the situation beyond the possibility of question.

The Council, moreover, were influenced by the consideration that they could not, while having the benefit of the direct mediation of the Foreign Office, employ you, or any other agent, at Sophia.

To relieve you also from possible embarrassment, the Council will communicate this letter and their previous one to the Foreign Office, with the request that they may be forwarded to Her Majesty's Representative at Sophia.

I am, &c.
(Signed) ROBT. PASCO, *Secretary.*

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* No. 247.

† No 245.

Inclosure 2 in No. 251.

Mr. Mozley to the Council of Administration of the Varna Railway Company.

23, *New Bond Street, London, November* 9, 1883.

Dear Sirs,

I HAVE to acknowledge the receipt of your Saturday's letter of the 8th instant, replying to mine to you of the 3rd instant.

It would be useless to repeat what I have therein stated, but I must add, in reply to your last letter, that, being at Sophia when I received your letter of August 1882, engaged in the negotiations on behalf of the Bondholders' Committee, which you desired I should continue for your Company, my knowledge is confined to your written instructions, to the policy and letter of which I have always adhered.

In following out this course, I have invariably kept in view the necessity of subordinating the negotiations for a settlement "à l'amiable" to the official interference of the Foreign Office under the Treaty of Berlin, it having been conceded that such a settlement would be a relief to all parties.

This, too, is only consistent with your hitherto invariable determination not to jeopardize your claims under the Treaty of Berlin by your direct interference, as under this Treaty alone the official interference of the Foreign Office would be put in motion.

With reference to your concluding paragraph, as I have already sent a copy of the former correspondence to Lord Granville, I will now add a copy of your letter of the 8th and of this reply.

I am, &c.
(Signed) FREDERICK MOZLEY.

No. 252.

Mr. Lascelles to Earl Granville.—(*Received November* 12.)

(No. 41. Commercial. Ext. 22.)

Sophia, October 30, 1883.

My Lord,

M. ZANKOW has requested me to ascertain, if possible, by telegraph, whether the Varna-Rustchuk Railway Company is disposed to enter into negotiations directly with the Bulgarian Government, and without the assistance of any intermediary, for the settlement of the Company's claims.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 253.

Mr. Lascelles to Earl Granville.—(*Received November* 12.)

(No. 43. Commercial.)

Sophia, November 2, 1883.

My Lord,

ON the 30th ultimo M. Zankow asked me whether I thought the Varna-Rustchuk Railway Company would be disposed to enter into negotiations directly with the Bulgarian Government for the purchase of the line, without the assistance of an intermediary. He said that the stock-jobbing operations, which had resulted in a considerable rise in the value of the stock, might render the solution of the question more difficult. The Bulgarian Government were sincerely anxious to settle the matter; and he thought it desirable that the negotiations should be carried on directly with the Company.

I said that I was unable to answer his question, but that, if he wished, I would telegraph to your Lordship on the subject. He requested me to do so, and a short time afterwards sent me the *note verbale*, of which I have the honour to inclose a copy.

With regard to the rise in the value of the stock, I told M. Zankow that it was only natural that such a rise should be produced by the announcement of the desire on the part of the Bulgarian Government to settle the matter.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 253.

Note Verbale.

LE Ministère Princier des Affaires Étrangères a l'honneur de prier l'Agence Royale d'Angleterre de vouloir bien s'informer télégraphiquement auprès de qui de droit, si la Compagnie de Chemin du Fer de Roustchouk-Varna est disposé de traiter, directement et sans intermédiaire, avec le Gouvernement Princier de Bulgarie, la question pendante entre ce Gouvernement et la dite Société.

Le Ministère Princier remercie d'avance l'Agence Royale des bienveillantes démarches qu'elle fera en cette occasion, et la prie de vouloir bien en communiquer le résultat.

Sophia, le 31 *Octobre*, 1883.

No. 254.

Lord E. Fitzmaurice to Mr. Mozley.

Foreign Office, November 14, 1883.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your communication of the 9th instant respecting the Varna-Rustchuk Railway.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 255.

Mr. Pasco to Earl Granville.—(*Received November* 19.)

Varna Railway Company, Offices, 56, *New Broad Street, London, November* 17, 1883.

My Lord,

WITH reference to my letter of the 6th instant (in reply to your Lordship's of the 1st instant), in which I stated that the Council were prepared to accept, under certain reserves and conditions, the proposal of the Bulgarian Government to "treat directly with them without any intermediary," I am directed to forward you copies of correspondence which has lately taken place between Mr. Frederick Mozley and this Company, viz., letters from Mr. Mozley, two of the 24th October and of the 3rd and 9th November, 1883, and my letters of the 25th October and 8th November.

I am also requested to ask that your Lordship will be so obliging as to direct that a copy of this correspondence be forwarded to Mr. Lascelles, Her Britannic Majesty's Representative at Sophia, in order that there may be no misapprehension on his part, or on that of the Bulgarian Government, as to the fact that Mr. Mozley is without authority from the Council of Administration of this Railway to treat on their behalf with the Bulgarian Government.

I have, &c.
(Signed) ROBT. PASCO, *Secretary.*

Inclosure 1 in No. 255.

Mr. Mozley to the Board of Directors of the Varna Railway Company.

23, *New Bond Street, October* 24, 1883.

Gentlemen,

I BEG to confirm my letter of the 4th instant. I have since been in daily communication with Sophia, and receiving lengthy telegrams—not always too clear, owing to mistakes in transmitting the cypher—but I have from time to time, in an informal manner, endeavoured to keep your Chairman advised of anything of importance.

I now deem it right to intimate that Mr. Kaufmann, warmly supported by Mr. Lascelles, in an unofficial capacity, informed the Bulgarian Government that it would be useless sending Delegates to London simply to "discuss ('discuter') an arrangement" with your Company without ample powers and instructions, and I learn that upon these representations the Delegates have been requested to make a report to the Ministerial Council.

I would point out that I have always impressed on the Bulgarian Government that your Company, whilst willing to entertain any equitable proposal for settlement of your claim, would not enter into any direct negotiation which might infringe on its full rights under "Clause X of the Treaty of Berlin."

Bearing on this, I received late on Saturday, the 20th instant, a telegram, implying, so far as I could gather, that difficulty had arisen as to the mode in which the Company should be approached; and I replied that the Company was always willing to entertain, through me, an offer based on your Board's letter of August 1882, textually communicated to the Government, in accordance with your instructions.

The Bulgarian Government accepted, in principle, so far back as April 1882, my original scheme for an arrangement "à l'amiable," by a purchase of your Railway; and I may add that all the conditions signed in July 1882, between myself (as delegate of the Bondholders' Committee) and the then Bulgarian Minister for Foreign Affairs (M. Vouleovitch), are in force.

By one of the clauses, any sum eventually agreed upon as the purchase-money is to carry interest from the 1st July, 1882—a very important condition.

Notwithstanding the more hopeful prospect of a settlement, I would urge your Board to continue all possible pressure on the Bulgarian Government, through the Foreign Office, assuring you that such influence as I possess shall be used to the same end.

I have, &c.
(Signed) FREDERICK MOZLEY.

Inclosure 2 in No. 255.

Mr. Mozley to the Board of Directors of the Varna Railway Company.

23, *New Bond Street, October* 24, 1883.

Gentlemen,

I HAVE reason to believe that it would be agreeable to the Bulgarian Government that the Varna Railway Company should have an agent at Sophia, holding a somewhat similar position to that of Mr. Timoni at Constantinople.

I am authorized by Mr. Paul Kaufmann to offer you his services in this capacity.

During the time Mr. Kaufmann has been at Sophia assisting me to conduct my difficult and laborious negotiation he has acquired the respect of the Bulgarian Government and the confidence of the people, and I am sure would be a *persona grata*.

Your Board has had some experience of his capability and integrity, and I feel assured that, if honoured with your confidence, he would be of great service to you, and eventually aid in smoothing many difficulties.

I have, &c.
(Signed) FREDERICK MOZLEY.

Inclosure 3 in No. 255.

Mr. Pasco to Mr. Mozley.

Varna Railway Company, 56, *New Broad Street, London, October* 25, 1883.

Dear Sir,

YOUR letters of the 4th and 24th instant have been read to the Council of this Company, and, while thanking you, the Council feel it impossible to accept your proffered service, or those of your agent at Sophia, Mr. Kaufmann.

You are evidently acting under misapprehension when you state, in your letter of the 24th, that you had informed the Bulgarian Government the Company was always willing to entertain, through you, an offer based on the Board's letter of the 8th August, 1882. You had no such authority to make a statement of that nature.

I am also directed to remind you, with a view of preventing possible further misunderstanding, that the Board's letter to which you refer related only to a specific proposal, which came to nothing, and considering the period which has elapsed, the Council had imagined that you had accepted the position.

I may further add that, in order to remove any incertitude, while not admitting any necessity so to do, the Council request me to declare to you that they formally revoke and cancel that letter, and every supposed power you may imagine it conferred upon you; and also to state that you have no authority, either directly or indirectly, from the Council, or

any one else representing the Directors or the Company, in any manner to treat with the Bulgarian Government with respect to the interests of the Company; and the Directors feel it incumbent to make this communication to you in order to prevent any possible misunderstanding with the Bulgarian Government, or with the British Foreign Office and its representatives, so as to interfere with or prejudice the Company's rights under the Treaty of Berlin or otherwise.

By Order of the Council of Administration,
(Signed) ROBERT PASCO, *Secretary.*

Inclosure 4 in No. 255.

Mr. Mozley to the Council of Administration of the Varna Railway Company.

Gentlemen, 23, *New Bond Street, November* 3, 1883.

I HAVE to acknowledge your Secretary's letter of the 25th October, and cannot but think that it has been written in forgetfulness of your instructions of August 1882, which were to continue the negotiations I had been, and was then, conducting on behalf of the Committee of Bondholders of the Varna Railway Company.

The object of the instructions was, no doubt, to carry out a specific proposal, and all the negotiations, delicate and difficult as they have been, have been conducive to the attainment of this end.

Surely it cannot be gainsaid by any one who has had experience in Eastern affairs that the time which has elapsed since your instructions has been longer than might have been expected, more especially having regard to the political state of Bulgaria, to say nothing of the hopes incited in the Bulgarian Government by the interference of persons, though not accredited, assuming unofficially a power of settling your claims on very modified conditions as compared with these with which I was charged.

I would, with confidence, appeal to Mr. Lascelles and Mr. R. J. Kennedy, who acted for Mr. Lascelles during his absence, as to the zeal, energy, and judgment with which my negotiations have been conducted, and the confidence with which I have been able personally to inspire the Chief of the Bulgarian Government, this last being no small factor in bringing about a successful result. In fact, during my long sojourn in Bulgaria I succeeded, through the high introductions with which I was accredited, as well as by my personal demeanour, in establishing a position never before attained by any foreigner.

It is with regret and surprise that I learn that my last communication to the Bulgarian Government is repudiated by you. It has been your invariable policy, up to this time, to avoid direct communication with the Bulgarian Government, and, appreciating your motives, I conceived that I was but giving effect to your policy by inducing the Government to instruct their Delegates to continue to treat through me.

As the chiefs of the Foreign Office have been hitherto kept informed of the various phases my negotiations have assumed, and my course of action has received their unofficial approval, I feel it only respectful to inform them of the present position of affairs, and with this object I purpose to send a copy of this correspondence to the Foreign Office.

I am, &c.
(Signed) FREDERICK MOZLEY.

Inclosure 5 in No. 255.

Mr. Pasco to Mr. Mozley.

Varna Railway Company, 56, *New Broad Street, London, November* 8, 1883.

Dear Sir,

I HAVE to acknowledge your letter of the 3rd instant, addressed to the Council of Administration of this Railway.

At the time when you originally went to Sophia on your mission on behalf of the bondholders, the Council, with the idea of strengthening your hands, were asked by the Committee of Bondholders, as you may remember, to favour the object of your journey; but they did not intend to, nor did they, depute to you any power to act authoritatively for the Company. They were pressed by the Bondholders' Committee to write their letter to you of the 13th July, 1882, under the representation that success would probably attend your efforts, and it was for that temporary object and specific proposal only that the letter

was written, and for no other purpose; hence the Council cannot regard otherwise than with surprise the apparent misapprehension under which you were acting, and they consequently hastened, by their communication of the 25th October, 1883, to place the situation beyond the possibility of question.

The Council, moreover, were influenced by the consideration that they could not, while having the benefit of the direct mediation of the Foreign Office, employ you or any other agent at Sophia.

To relieve you also from possible embarrassment, the Council will communicate this letter and their previous one to the Foreign Office, with the request that they may be forwarded to Her Majesty's representative at Sophia.

I am, &c.
(Signed) ROBT. PASCO, *Secretary.*

Inclosure 6 in No. 255.

Mr. Mozley to the Council of Administration of the Varna Railway Company.

23, *New Bond Street, November* 9, 1883.

Dear Sirs,

I HAVE to acknowledge the receipt of your Secretary's letter of the 8th instant, replying to mine to you of the 3rd instant.

It would be useless to repeat what I have therein stated, but I must add, in reply to your last letter, that being at Sophia when I received your letter of August 1882, engaged in the negotiations on behalf of the Bondholders' Committee, which you desired I should continue for your Company, my knowledge is confined to your written instructions, to the policy and letter of which I have always adhered.

In following out this course I have invariably kept in view the necessity of subordinating the negotiations for a settlement "à l'amiable" to the official interference of the Foreign Office under the Treaty of Berlin, it having been conceded that such a settlement would be a relief to all parties.

This, too, is only consistent with your hitherto invariable determination not to jeopardize your claims under the Treaty of Berlin by your direct interference, as under this Treaty alone the official interference of the Foreign Office would be put in motion.

With reference to your concluding paragraph, as I have already sent a copy of the former correspondence to Lord Granville, I will now add a copy of your letter of the 8th, and of this reply.

I am, &c.
(Signed) FREDERICK MOZLEY.

No. 256.

Earl Granville to the Earl of Dufferin.

(No. 209. Commercial.)
(Telegraphic.) *Foreign Office, November* 23, 1883, 4·55 P.M.

VARNA Railway: Mr. Wyndham's despatch No. 297 of the 12th September.

Press for immediate reply to note therein, and for the payment of 140,000*l.* due for the year 1874-75, or, at any rate, something substantial on account.

No. 256*.

Earl Granville to Mr. Lascelles.

(No. 47. Commercial.)
(Telegraphic.) *Foreign Office, November* 23, 1883.

PRESS for immediate reply to alternative proposed in my despatch No. 39 of the 13th October, and for payment on account at once.

No. 257.

Mr. Lascelles to Earl Granville.—(Received November 24, 8·30 P.M.)

(No. 25. Commercial.)
(Telegraphic.) *Sophia, November* 24, 1883, 1 P.M.

YOUR telegram of yesterday. Bulgarian Delegates start for London to-night to treat with the Varna Company. Minister for Foreign Affairs, who has recently returned to Sophia, promises to give an answer to your despatch No. 39 of the 13th October in the course of next week.

No. 258.

Mr. Lascelles to Earl Granville.—(Received November 24.)

(No. 44. Commercial.)
My Lord, *Sophia, November* 6, 1883.

IN an interview which I had with M. Zankow this morning, I communicated to him your Lordship's despatch No. 39 Commercial, of the 13th ultimo, and handed to him a copy of it.

I told M. Zankow that I regretted to have to make such a communication to him, but that I was not surprised that the delay in the settlement of the claims of the Varna-Rustchuk Railway Company had exhausted the patience which Her Majesty's Government had hitherto shown with regard to this question.

M. Zankow again assured me of the desire of the Bulgarian Government to settle the matter, and said that he still hoped that the Company would agree to treat directly with the Bulgarian Government.

I replied that I had as yet received no answer to the telegram which at his request I had addressed to your Lordship on the 30th ultimo, but that in any case I must ask for the reply of the Bulgarian Government to my note of the 3rd April last, as well as to the communication which I had just made to him.

M. Zankow gave orders in my presence that your Lordship's despatch should be at once translated into Bulgarian, in order that he might be able to submit it to the Council of Ministers without delay.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 259.

Mr. Lascelles to Earl Granville.—(Received November 24.)

(No. 45. Commercial.)
My Lord, *Sophia, November* 13, 1883.

ON the receipt of your Lordship's telegram of the 8th instant, I informed M. Zankow that the Varna-Rustchuk Railway Company accepts the proposal of the Bulgarian Government to treat directly under the conditions mentioned in your Lordship's telegram.

M. Zankow having requested me to communicate this information to him in writing, I addressed a *note verbale* to him, of which I have the honour to inclose a copy.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 259.

Note Verbale.

EN réponse à la note verbale du Ministère Princier des Affaires Étrangères en date du 31 Octobre, le Soussigné a l'honneur d'informer son Excellence M. Zankow qu'il vient de recevoir une dépêche télégraphique de Lord Granville, annonçant que la Compagnie de Chemin de Fer Varna-Roustchouk accepte la proposition du Gouvernement Bulgare de

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traiter directement mais sans préjudice aux droits de la Compagnie sous le Traité de Berlin ou aux arrangements qui existent à propos de l'arbitrage.

(Signé) FRANK C. LASCELLES.

Sophia, le 9 Novembre, 1883.

No. 260.

Earl Granville to Mr. Lascelles.

(No. 49. Commercial.)

Foreign Office, November 27, 1883.

Sir,

I HAVE received your despatches Nos. 44 and 45, Commercial, of the 6th and 13th instant, respecting the settlement of the claims of the Varna Railway Company, and I have to convey to you my approval of your action as reported therein.

I am, &c.

(Signed) GRANVILLE.

No. 261.

Pro-memorid sent to the Russian Ambassador by M. Balabanoff as to the Varna-Rustchuk Railway, and left with Lord E. Fitzmaurice for information.

BONNE volonté du Gouvernement Bulgare pour terminer la question des chemins de fer Roustchouk-Varna à des conditions acceptables n'est pas douteuse.

2. Délégués Bulgares sont déjà partis pour négocier avec Compagnie.

3. Pression ostensible Anglaise risquerait de compromettre négociations directes entre le Gouvernement Bulgare et la Compagnie, en encourageant les prétentions déjà trop exorbitantes de celle-ci.

4. Ces prétentions sont telles que le Gouvernement Bulgare considère que, pour mener négociations à bonne fin, les *bons offices* du Gouvernement Anglais sont même indispensables.

5. Les conditions actuelles sont à tel point onéreuses, que le Gouvernement Bulgare serait, bien malgré lui, réduit, en désespoir de cause, à préférer leur examen par Conférence des Puissances.

6. Le Gouvernement Bulgare espère, en conséquence, que le Gouvernement Britannique ne lui refusera pas la bienveillante assistance pour aider les Délégués à obtenir de la Compagnie des conditions plus équitables.

No. 262.

Mr. Pasco to Earl Granville.—(Received December 1.)

Varna Railway Company, Offices, 56, New Broad Street, London, November 30, 1883.

My Lord,

I AM desired by the Council of the Varna Railway Company to inform your Lordship that they have sent instructions to their agent, Mr. Timoni, at Constantinople, to urgently press the Ottoman Government for a settlement of the agreed guarantee for the year ending the 30th June, 1875.

An offer was made by that Government, through Lord Dufferin, to make this payment by handing over to our agent havalés for the amount due, which was accepted by this Company; and these havalés were (as was understood) especially appropriated and assigned for this purpose, and although the Company's agent was officially requested to call for them, they have never been delivered to him, or the Company, notwithstanding the constant applications with that object.

The Council venture to express the hope that your Lordship may feel disposed, under the special circumstances of this case, to commend the subject to the consideration of Lord Dufferin, who is so well acquainted with all the facts, so that his Lordship may lend his powerful aid in assisting the efforts of our agent at Constantinople to obtain delivery of these havalés so long promised, if not in full at any rate in part settlement of the 140,000*l.* admitted to be due by the Ottoman Government to this Company, the non-payment of which for so long a period has caused the greatest embarrassment to the Company, and to its financial position.

Trusting your Lordship will accept the urgency of the Company's claims upon the Ottoman Government as an apology for my troubling you, I have, &c.

(Signed) ROBT. PASCO, *Secretary.*

No. 263.

Sir E. Thornton to Earl Granville.—(Received December 10.)

(No. 303. Ext. 39.)

St. Petersburgh, November 28, 1883.

My Lord,

M. VLANGALY has this afternoon informed me that he has received a telegram from the Russian Representative at Sophia, informing him that Mr. Lascelles had very recently addressed a strong note to the Bulgarian Government, insisting upon a settlement of the Varna-Rustchuk Railway question, and threatening that, if it were not settled, a Conference of the Powers would be proposed for the purpose of considering the question.

The Bulgarian Government having requested the Russian Government to intercede, the latter express their hope that Her Majesty's Government will not just now use pressure, because two Deputies, sent a couple of days ago from Sophia, are now on their way to London, bearing instructions to endeavour to come to an arrangement with the shareholders, and because pressure at this moment might prejudice their prospect of success.

I have, &c.

(Signed) EDWD. THORNTON.

No. 264.

Sir E. Thornton to Earl Granville.—(Received December 10.)

(No. 304.)

St. Petersburgh, November 28, 1883.

My Lord,

DURING an interview which I had this afternoon with M. Vlangaly, he stated that he yesterday received a telegram from M. Yonine, the Russian Representative at Sophia, in which he informed him that Mr. Lascelles had very recently addressed a peremptory note (he made use of the phrase "une note comminatoire") insisting upon an immediate settlement of the claim of the Varna-Rustchuk Railway shareholders, and threatening that, if some arrangement were not arrived at without delay, Her Majesty's Government would appeal to the Powers, and would propose a Conference for the purpose of considering what steps should be taken to compel Bulgaria to fulfil the obligations imposed upon her by the Treaty of Berlin. In consequence of this note, his Excellency stated that the Bulgarian Government had asked the Russian Government to intercede with Her Majesty's Government, with a view to instructions being sent to Her Majesty's Agent at Sophia that he should cease for the present to press the Bulgarian Government.

His Excellency assured me that the latter were most anxious to arrive at a settlement of the matter, which had been delayed partly by the recent political changes in the Principality, and partly by the exaggerated claims of the shareholders, which in the present state of the Bulgarian finances it would be impossible to meet. M. Vlangaly had, he said, spoken to M. Balabanow upon the subject during his recent stay in this capital, and had been promised that the question should be taken into consideration as soon as possible.

In order to carry out this promise, two Agents of the Government had been instructed to proceed to England for the purpose of endeavouring to come to an arrangement with the shareholders, and these gentlemen had started the day before yesterday, and were now on their way to London. His Excellency expressed the opinion that the moment chosen for addressing to the Bulgarian Government the note above referred to was unfortunate, because it would probably weaken the influence which the Bulgarian Agents might otherwise have possessed, and might induce the shareholders to make still more exaggerated claims, such as could never be satisfied nor even admitted. It seemed, therefore, expedient to support the Agents in question as far as possible, in the hope of an amicable arrangement being made, which, if they were unsuccessful, might be difficult. M. Vlangaly therefore requested me to express to your Lordship the hope of the Imperial Government that Mr. Lascelles might be instructed not to be too urgent, for the present at least, in his

demands upon the Bulgarian Government with regard to the Rustchuk-Varna Railway.

I have, &c.
(Signed) EDWD. THORNTON.

No. 265.

Mr. Lascelles to Earl Granville.—(*Received December* 10.)

(No 47. Commercial. Ext. 25.)

Sophia, November 24, 1883.

My Lord,

WITH reference to your Lordship's telegram of yesterday's date, I have the honour to report that Messrs. Stoïtchoff and Harrower, who have been appointed by the Bulgarian Government to treat directly with the Varna-Rustchuk Railway Company, will leave Sophia to-night for London.

M. Balabanoff, the Bulgarian Minister for Foreign Affairs, who has only recently returned to Sophia, has promised to give me, in the course of a week, an answer to your Lordship's despatch No. 39 of the 13th ultimo.

I have, &c.
(Signed) FRANK C. LASCELLES.

No. 266.

Mr. Lascelles to Earl Granville.—(*Received December* 10.)

(No. 48. Commercial.)

Sophia, November 28, 1883.

My Lord,

WITH reference to my despatch No. 47, Commercial, of the 24th instant, I have the honour to inclose a copy of a note which I have received from the Bulgarian Minister for Foreign Affairs informing me that Messrs. Stoïtchoff and Harrower have been appointed by the Bulgarian Government as Delegates to treat directly with the Varna-Rustchuk Railway Company.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 266.

M. Balabanow to Mr. Lascelles.

Sophia, le 24 *Novembre* 1883.

M. l'Agent,

J'AI l'honneur de vous informer que le Gouvernement Princier vient d'autoriser MM. N. Stoïtchoff et Th. Harrower à entamer avec la Compagnie de Chemin de Fer Varna-Roustchouk des négociations en vue du rachat de cette ligne ferrée par la Bulgarie. MM. N. Stoïtchoff et Th. Harrower, munis d'instructions à cet effet, partiront incessamment pour Londres viâ Vienne-Paris.

La décision prise dans ce cas par le Gouvernement Princier est une preuve de plus de bonne et ferme volonté d'amener aussi promptement que possible une solution définitive de la question touchant la ligne susmentionnée.

En portant à votre connaissance ce qui précède, je vous prie, M. l'Agent, de vouloir bien en informer le Gouvernement de Sa Majesté Britannique, et recommander à sa haute bienveillance nos deux Délégués.

Je saisis, &c.
(Signé) M. BALABANOW.

No. 267.

Sir J. Pauncefote to Mr. Pasco.

Sir,

Foreign Office, December 11, 1883.

I AM directed by Earl Granville to acquaint you that, in a note addressed to Mr. Lascelles on the 24th ultimo, M. Balabanow, the Bulgarian Minister for Foreign Affairs, informed him that the Government of the Principality had just authorized MM. N. Stoitchoff and Th. Harrower to negotiate with the Varna Railway Company for the purchase by Bulgaria of the railway from Varna to Rustchuk.

M. Balabanow adds that the decision taken in this matter by the Government of the Principality is the best proof of their *bonâ fide* willingness ("bonne et ferme volonté") to come to a definite settlement of this question as quickly as possible.

I am, &c.
(Signed) JULIAN PAUNCEFOTE.

No. 268.

Mr. Lascelles to Earl Granville.—(*Received December* 14.)

(No. 50. Commercial.)

Sophia, December 1, 1883.

My Lord,

WITH reference to my despatch No. 47, Commercial, of the 24th ultimo, I have the honour to inclose a copy of a note which I have received from the Bulgarian Minister for Foreign Affairs with regard to the claims of the Varna-Rustchuk Railway Company.

M. Balabanoff begins by stating that your Lordship's despatch of the 13th October had been the object of mature deliberation on the part of the Bulgarian Government, who, he admits, find themselves in the presence of certain facts mentioned in that despatch. He points out that the delay which has occurred in the settlement of the question is due principally to the responsibility which rests upon the Bulgarian Government to consider carefully all the means which have been proposed or accepted in order to arrive at a solution of a question which is of such vast importance for the country. M. Balabanoff then refers to the demand for a payment on account which was made in my note of the 3rd April last, and renewed in your Lordship's despatch of the 13th October. He argues that such a payment before the decision of the arbitrators would give rise to a belief that an arrangement had been arrived at, or at least that the basis of such an arrangement had been settled by mutual consent. Such, however, is not the case, and the one object of all the proposals which have hitherto been made has been to arrive at a settlement of a question which is still pending. The threat held out in your Lordship's despatch to invite the Signatory Powers of the Treaty of Berlin to meet in conference without further reference to Bulgaria, unless the last proposals made by Her Majesty's Government should be accepted, has produced a painful impression upon the Bulgarian Government, who are of opinion that the proposal for arbitration does not exclude the possibility of a more radical and satisfactory solution of the question, and they consider that a payment on account would not facilitate such a solution. In any case Bulgaria will honourably carry out her engagements when the matter is once settled.

M. Balabanoff points out at some length the advantages of a direct understanding with the Company, which the Bulgarian Government, while acknowledging their engagements with regard to the arbitration, are making serious efforts to bring about, and he alludes to the mission of the two Bulgarian Delegates for the purpose of negotiating with the Company for the purchase of the line as a proof of the firm and sincere desire of the Bulgarian Government to arrive at a definitive solution of the question.

His Excellency expresses the hope that Her Majesty's Government, who have shown so much good-will towards Bulgaria, will use their good offices with the Company in order to bring about such a solution. With regard to the injustice done to the Company by the cessation of all payment to them since 1874, M. Balabanoff observes that the Bulgarian Government cannot be responsible for what occurred before Bulgaria existed as a State; but that any injustice that may have been committed since that time will be remedied in an equitable and definitive manner. The final object is the purchase of the line, which the Bulgarian Government consider as more practicable, and more in conformity with the interests of both parties, than the decisions of arbitrators, or of a Conference to be convoked upon an Article of the Treaty of Berlin, and they count upon the kindness

("bienveillance") of Her Majesty's Government, both as regards the amount of time and moral support to be granted to them in their endeavours to attain this object.

M. Balabanoff concludes his note by requesting me to submit the foregoing considerations to your Lordship.

I have, &c.
(Signed) FRANK C. LASCELLES.

Inclosure in No. 268.

M. Balabanoff to Mr. Lascelles.

Sophia, le 18 (30) *Novembre*, 1883.

M. l'Agent,

LA dépêche du Foreign Office en date du 13 Octobre, année courante, au sujet de la question pendante du chemin de fer Roustchouk-Varna, et dont votre Excellence a bien voulu laisser une copie à M. le Président du Conseil, gérant cet Office Princier, a fait l'objet de mûres délibérations de la part du Gouvernement de Son Altesse.

Je n'entreprendrai pas de refaire ici l'historique de cette affaire et j'avoue que le Gouvernement Princier se trouve actuellement en présence de certains faits dont il est fait mention dans la dépêche précitée. Si de nombreuses difficultés ont surgis dans la solution finale de cette question, c'est qu'à tous les points de vue elle est de la plus haute importance pour le pays, eu égard surtout aux charges à supporter de ce chef. La grave responsabilité qui en résulte faisait au Gouvernement de Son Altesse un devoir, tout en reconnaissant les obligations qui lui sont imposées à ce sujet, de peser mûrement tous les moyens mis en avant ou même acceptés, en vue d'arriver à un réglement définitif de la question. Indépendamment de la situation où s'est trouvée pour un certain temps la Principauté, c'est encore la conscience de cette responsabilité qui a été le motif principal du retard mis pour la réponse à la note de votre Excellence en date du 3 Avril, et à laquelle a référé Lord Granville dans sa dernière dépêche.

Outre les propositions soumises dans la note de 3 Avril au Gouvernement de Son Altesse pour l'arbitrage, le Gouvernement de Sa Majesté Britannique considère comme juste la demande de la Compagnie à un paiement immédiat en acompte avant même la décision finale des arbitres. Cette dernière considération donnerait à penser qu'un arrangement quelconque sur l'affaire en litige aurait déjà été établi, ou du moins que les bases en auraient été arrêtées d'un commun accord; or, là est précisément la question que nous cherchons à résoudre, et toutes les propositions faites jusqu'aujourd'hui n'ont eu et ne pouvaient avoir pour but que le réglement d'une affaire pendante considérée comme telle par tous les intéressés. L'idée même de l'arbitrage en est une preuve évidente.

Sa Seigneurie Lord Granville revient avec plus de décision sur ce même sujet dans sa nouvelle dépêche, et il ajoute que, si les dernières propositions faites au Gouvernement de Bulgarie n'étaient pas acceptées, et qu'un paiement en acompte n'était pas effectué préalablement à la Compagnie, le Gouvernement de Sa Majesté Britannique s'adresserait sans retard aux Puissances Signataires du Traité de Berlin, en vue de la convocation d'une Conférence sans plus en référer au Gouvernement de Bulgarie à ce sujet. Cette conclusion comminatoire, il est à peine besoin de le dire, n'a pas manqué de produire sur le Gouvernement Princier une pénible impression. Les propositions contenues dans la note de votre Excellence du 3 Avril, année courante, et relatives à l'arbitrage, ont été l'objet d'un examen sérieux de la part du Gouvernement Princier. Ce dernier pense, toutefois, que l'arbitrage, de quelque façon qu'il se constitue, ne saurait être de nature à rendre impossible tout autre moyen d'amener une solution plus radicale de la question et à l'entière satisfaction de tous les intéressés. Un paiement en acompte serait loin de faciliter une pareille solution. Dans tous les cas la Bulgarie, une fois l'affaire réglée, saura remplir honorablement ses engagements de ce chef.

L'entente directe et amiable avec la Compagnie du Chemin de Fer Roustchouk-Varna est un moyen de ce genre, et le Gouvernement Princier a déjà eu à s'en occuper. Si cette entente se faisait, tout autre moyen deviendrait, *eo ipso*, inutile, et l'arbitrage même n'aurait plus sa raison d'être. Le Gouvernement Princier désire cette entente d'autant plus vivement qu'il est d'avance convaincu que toute autre solution en dehors de cette entente ne saurait être, dans son opinion, qu'une solution imparfaite; vu les difficultés de toute sorte qui subsisteraient toujours, si l'on ne tombait pas d'accord sur la propriété même de la ligne dans l'avenir, ainsi que sur son exploitation dans notre territoire. Aussi, sans méconnaître les engagements qu'il a pris en principe pour la constitution d'un arbitrage, le Gouvernement Princier s'efforce-t-il de faire de cette entente une réalité. J'ai déjà eu l'honneur, par mon office en date de 12 (24) du mois qui s'écoule, d'informer votre

Excellence que deux Délégués *ad hoc* du Gouvernement de Son Altesse partiront incessamment pour Londres, munis d'instructions d'entamer avec la Compagnie des négociations en vue du rachat de cette ligne ferrée par la Bulgarie, et j'ai ajouté que c'est là une preuve de la bonne et ferme volonté du Gouvernement actuel d'amener une solution définitive de la question.

Nos Délégués, au moment où j'écris, doivent être à Londres. En présence de ces faits et de cette volonté non équivoque, je me permets, M. l'Agent, de croire que le Gouvernement de Sa Majesté Britannique, dont je suis le premier à reconnaître la haute bienveillance à l'égard de la Bulgarie, voudra bien non seulement nous rendre justice, mais j'aime à espérer interposer aussi ses bons offices auprès de la Compagnie, à l'effet d'atteindre la solution radicale dont je parlais tout à l'heure. Le Gouvernement Princier ne saurait être responsable de la grande injustice dont la Compagnie, selon vos expressions dans la note du 3 Avril, aurait été victime par la cessation de tout paiement de la somme de 140,000*l.* par an depuis l'année 1874, alors que la Bulgarie n'existait pas encore comme État; mais par l'entente que nous poursuivons, et dans les limites de ce qui nous concerne après la constitution de la Bulgarie en État, toute injustice, si injustice il y a aussi de notre part, serait réparée d'une façon équitable et définitive. Le but final, c'est le rachat par la Bulgarie de la ligne en question par une combinaison de nature à réconcilier tous les intérêts. Dans tout litige la tentative d'une entente à l'amiable et permise, elle est même souvent commandée par la loi. Le droit international n'exclut pas ce moyen, il le recommande au contraire. Pour cela il faut toujours laisser le temps nécessaire, il faudrait même, dans l'intérêt de la justice, prêter son concours pour le succès de cette tentative.

Le Gouvernement de Son Altesse compte sur la bienveillance du Gouvernement de Sa Majesté Britannique aussi bien pour le temps à accorder que pour le concours moral à nous prêter dans l'espèce. La solution de la question par une entente pour le rachat de la ligue nous paraît, sous tous les rapports, plus pratique et plus conforme à tous les intérêts que les décisions d'un arbitrage à constituer ou d'une Conférence à convoquer sur un Article du Traité de Berlin.

Telles sont, M. l'Agent, les considérations qui inspirent le Gouvernement de Son Altesse sur la question qui m'occupe, et dont nul plus que lui ne désire la solution finale et dans un délai aussi court que possible.

Je prie votre Excellence de vouloir bien les porter à la connaissance de sa Seigneurie Lord Granville, et je saisis, &c.

(Signé) M. BALABANOFF.

No. 269.

Mr. Pasco to Earl Granville.—(*Received December* 15.)

Varna Railway Company, Offices, 56, *New Broad Street*, *London, December* 13, 1883.

My Lord,

I AM directed by the Council of the Varna Railway Company to inform your Lordship that MM. N. Stoïtchoff and Thomas Harrower, the Commissioners-delegate of the Bulgarian Government, called on the 12th instant upon the Chairman, Mr. Wollaston Blake, and after stating that they had already had an interview with Lord Edmond Fitzmaurice, handed to him the powers under which they proposed to act, copy of which I have the honour to inclose, and the Commissioners intimated that it was their intention very shortly to address a letter to the Council with the object of opening negotiations for the purchase of the Varna-Rustchuk Railway by the Bulgarian Government. In anticipation of the contemplated negotiations, it seems important that I should ask your Lordship's attention not only to the limited nature of the power or authority to treat as presented by the above Delegates, but likewise to the reference to special instructions not disclosed, by which it may be that the force of the powers are controlled or even rendered nugatory. Under these circumstances, the Council are desirous to learn whether Her Majesty's Government are in possession of any information with respect to the nature or limit of the authority and instructions given to these gentlemen, beyond that disclosed by the inclosed copy of the document.

Obviously it is an object of considerable importance that the Council should, in treating with the Commissioners, avoid prejudicing in any way the rights of the Company under the Treaty of Berlin, or delaying the progress towards a settlement of its claims, which is being pressed forward under your Lordship's auspices. The Council therefore propose, unless your Lordship is, under the circumstances, of a contrary opinion, to await

the receipt of the promised letter, and to proceed with the negotiations, reserving nevertheless the rights of the Company under the Treaty of Berlin.

The Council venture to express the hope that your Lordship will kindly favour them with a reply to this communication at your early convenience.

I have, &c.
(Signed) ROBT. PASCO, *Secretary.*

Inclosure in No. 269.

M. Économoff to MM. N. Stoïtchoff and Th. Harrower.

Sophia, le 12 (24) *Novembre*, 1883.

EN exécution de la décision prise à cet effet en Conseil des Ministres, je, Soussigné, Th. Économoff, Ministre des Travaux Publics en Bulgarie, autorise au nom du Gouvernement Princier par ces présentes MM. N. Stoïtchoff et Th. Harrower, fonctionnaires du Gouvernement Bulgare, à entamer des négociations avec la Compagnie propriétaire du chemin de fer Roustchouk-Varna où ses commettants, dûment autorisés, en vue du rachat de cette ligne par le Gouvernement Bulgare. MM. N. Stoïtchoff et Th. Harrower pourront à cet effet faire et recevoir des propositions dans les limites de leurs instructions spéciales.

Ministère des Travaux Publics,
(Signé) ÉCONOMOFF.

(Sceau)

Vu pour légalisation de la signature ci-contre apposée de M. Économoff, Ministre des Travaux Publics de la Principauté, et pour confirmation du sceau du Ministère des Travaux Publics, ci-contre apposé.

Le Ministre des Affaires Étrangères,
(L.S.) M. BALABANOW.
Sophia, le 12 (24) *Novembre*, 1883.

No. 270.

Mr. Pasco to Earl Granville.—(*Received December* 15.)

Varna Railway Company, Offices, 56, *New Broad Street, London, December* 14, 1883.

My Lord,

REFERRING to the communication made by the Company to your Lordship under date of the 13th instant, I am requested to forward you copy of a letter, received this day, addressed to Mr. H. W. Blake, the Chairman of the Varna Railway Company, by MM. Stoïtchoff and Harrower, and to ask the favour that your Lordship's reply should embrace the questions proposed in that letter by the Commissioners.

I would venture to observe that the form of their powers (copy of which I had the honour to transmit to you yesterday) scarcely accords with the ideas communicated by the Bulgarian Government to Mr. Lascelles, as conveyed by your Lordship's letter to the Company received this morning.

It is highly important that the proposed negotiations should be proceeded with rapidly, and that they should result in a final, binding, and conclusive agreement; yet the powers of the Commissioners as disclosed to the Company scarcely import such a termination.

I have, &c.
(Signed) ROBT. PASCO, *Secretary.*

Inclosure in No. 270.

MM. Stoïtchoff and Harrower to Mr. Blake.

48, *Albemarle Street, London, December* 14, 1883.

Dear Sir,

WE have handed to you, for perusal and communication, the powers by which the Government of the Principality of Bulgaria have authorized us, the Undersigned, to treat with your Board on behalf of the Varna Railway Company for the purchase of that railway by the said Government.

As a preliminary to any negotiations which may take place between your Board and ourselves to this end, we beg to state that it must be perfectly understood that, in the event of such negotiations not producing any practical result, they are to be considered as entirely without prejudice on either side, and as not to be used or referred to by either party before the Ambassadors or any other body appointed to consider the question at issue between the Bulgarian Government and the Railway Company.

We shall be glad to receive a reply from you intimating your acquiescence in the view expressed above, and stating at the same time when and where we shall have the honour of meeting such members of your Board as may be appointed to treat this matter.

We are, &c.
(Signed) N. S. STOITCHOFF.
THOS. HARROWER.

No. 271.

Earl Granville to the Earl of Dufferin.

(No. 226. Commercial.)

My Lord,

Foreign Office, December 17, 1883.

WITH reference to my telegram of the 23rd ultimo, I transmit herewith to your Excellency a copy of a further letter from the Varna Railway Company respecting the subsidy due to them for the year 1874-75,* and have to request you to continue to press for an answer to Mr. Wyndham's note to the Porte on this subject, and for the payment of the amount due, or at least of a substantial sum on account.

I am, &c.
(Signed) GRANVILLE.

No. 272.

Lord E. Fitzmaurice to Mr. Pasco.

Foreign Office, December 17, 1883.

Sir,

I AM directed by Earl Granville to acknowledge the receipt of your letter of the 30th ultimo, and to inform you in reply that Her Majesty's Ambassador at Constantinople has been instructed to continue to press the Porte for the payment of the subsidy for 1874-75, or at least for a substantial payment on account.

I am, &c.
(Signed) EDMOND FITZMAURICE.

No. 273.

Earl Granville to Sir E. Thornton.

(No. 50. Commercial.)

Sir,

Foreign Office, December 21, 1883.

I HAVE received your Excellency's despatches Nos. 303 and 304 of the 28th ultimo, reporting the observations made to you by M. Vlangaly respecting the claims of the Varna Railway Company on the Government of Bulgaria, and I transmit to your Excellency herewith a copy of the despatch to Mr. Lascelles mentioned by M. Vlangaly.† You will perceive that Her Majesty's Government are not pressing the demands of the Company, however just they may consider them, but are pressing the Bulgarian Government to proceed to an arbitration, to which they consented in May 1881, and to pay an amount on account.

A reply has been received to this despatch which Her Majesty's Government consider unsatisfactory, and Mr. Lascelles has therefore been instructed to state that, should the Bulgarian Delegates who are now in this country fail to come to a settlement, Her Majesty's Government will be obliged to consider what measures shall be adopted to obtain satisfaction for the legitimate demands of the Company, and for the rights of Great Britain under the Treaty of Berlin.

* No. 262. † No. 240

It is desirable that your Excellency should explain to M. Vlangaly how the matter really stands.

I am, &c.
(Signed) GRANVILLE.

No. 274.

Earl Granville to Mr. Lascelles.

(No. 51. Commercial.)

Foreign Office, December 21, 1883.

Sir,

I HAVE received your despatch No. 50, Commercial, of the 1st instant, inclosing copy of a note from the Bulgarian Minister for Foreign Affairs regarding the claims of the Varna-Rustchuk Railway Company; and, in reply, I have to instruct you to inform the Bulgarian Government that Her Majesty's Government consider the note in question to be most unsatisfactory, and that should the Bulgarian Delegates now in this country fail to reach a settlement with the Company within a reasonable time, Her Majesty's Government will, as stated in my despatch No. 39, Commercial, of the 13th October, consider what measures shall be adopted to obtain satisfaction of the legitimate demands of the Company, and of the rights of Great Britain under the Treaty of Berlin.

I am, &c.
(Signed) GRANVILLE.

No. 275.

Lord E. Fitzmaurice to Mr. Pasco.

Foreign Office, December 22, 1883.

Sir,

I HAVE laid before Earl Granville your letters of the 13th and 14th instant respecting the affairs of the Varna Railway and the terms on which the Bulgarian Delegates now in this country propose to negotiate. In reply, I am to state that his Lordship sees no objection to the proposals they have made. It is usually agreed that in cases of negotiations for a compromise they are to be without prejudice, and that they should not be used afterwards for or against either party should the negotiations fail. I am to add that Her Majesty's Government have no knowledge of the instructions given to the Delegates, and cannot assume any responsibility in regard to the present negotiations.

I am, &c.
(Signed) EDMOND FITZMAURICE.

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